BEFORE

THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 2020-125-E

IN RE: Application of Dominion Energy South Carolina, Incorporated for Adjustment of Rates and Charges	)	**JOINT PROPOSED ORDER FILED ON BEHALF OF AARP, DCA, DESC, DoD-FEA, FRANK KNAPP, JR., SACE/CCL, SCEUC, SIERRA CLUB, WALMART, AND ORS**

TABLE OF CONTENTS

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the "Commission" or "PSC") regarding the Application of Dominion Energy South Carolina, Inc. ("DESC" or the "Company") filed August 14, 2020 (the "Application"), requesting authority to adjust and increase its electric rates, charges, and tariffs. The Application was filed pursuant to S.C. Code Ann. §§ 58-27-820 and 58-27-870 and S.C. Code Ann. Regs. 103-303 and 103-823.

The Company's general electric rates and charges were last approved by the Commission in Docket No. 2012-218-E, Order No. 2012-951.[1]

In its Application, the Company requested a revenue increase of approximately $178,000,000 per year and a Return on Equity ("ROE") of 10.25%.

A. PROCEDURAL HISTORY AND PUBLIC HEARINGS

CMC Steel South Carolina ("CMC"), represented by Alexander G. Shissias, Esquire, filed a Petition to Intervene on August 21, 2020.[2]

The Commission issued Order No. 2020-79-H on August 24, 2020, in which the Commission set the procedural schedule. According to that Order, the Commission reviewed the proposed schedule submitted to the Commission in determining the procedural schedule.

Sierra Club, represented by Robert Guild, Esquire, and Dorothy Jaffe, Esquire, filed a Petition to Intervene on August 24, 2020.[3]

---

[1] Commission Order No. 2012-951 approved rates for South Carolina Electric & Gas Company ("SCE&G"). Effective April 29, 2019, SCE&G changed its name to Dominion Energy South Carolina, Inc.

[2] On September 9, 2020, the Commission issued Order No. 2020-595, in which it granted CMC's Petition to Intervene.

[3] On September 9, 2020, the Commission issued Order No. 2020-596, in which it granted Sierra Club's Petition to Intervene.

The United States Department of Defense and all other Federal Executive Agencies ("DoD-FEA"), represented by Emily W. Medlyn, Esquire, filed a Petition to Intervene on August 26, 2020.[4]

On August 28, 2020, the Commission Clerk's Office issued the Notice of Filing and Hearing and Prefile Testimony Deadlines and instructed the Company to publish it in newspapers of general circulation one time and provide Proof of Publication on or before September 30, 2020.[5] On the same day, counsel for the Company filed an Electronic Service Agreement pursuant to S.C. Code Ann Regs. 103-830.1.[6]

The South Carolina Department of Consumer Affairs ("DCA"), represented by Carri Grube Lybarker, Esquire, Roger P. Hall, Esquire, and Connor J. Parker, Esquire[7] filed a Petition to Intervene on September 1, 2020.[8] On the same day, the Sierra Club filed a Motion *pro hac vice* of Dorothy E. Jaffe, Esquire.[9]

On September 4, 2020, the Company filed the Direct Testimony of P. Rodney Blevins, President of DESC; Iris N. Griffin, Vice President of Financial Management and Integration at the Company; Keith C. Coffer, Jr., Controller of DESC;[10] Regina L. Elbert, Vice President of Human Resources Business Services; W. Keller Kissam, President, Electric Operations; James H. Vander

[4] On September 9, 2020, the Commission issued Order No. 2020-594 in which it granted DoD-FEA's Petition to Intervene.
[5] This Notice was revised twice on the same day.
[6] The South Carolina Office of Regulatory Staff ("ORS"), DESC, CMC, DoD-FEA, Frank Knapp, Jr., the South Carolina Energy Users Committee ("SCEUC"), Walmart, Inc., AARP, the Southern Alliance for Clean Energy/Coastal Conservation League ("SACE/CCL"), consented to electronic service.
[7] *See* Revised Notice of Appearance filed with the Commission on November 6, 2020.
[8] On September 16, 2020, the Commission issued Order No. 2020-619 in which it granted DCA's Petition to Intervene.
[9] On September 16, 2020, the Commission issued Order No. 2020-620 in which it granted Sierra Club's Motion for admission *pro hac vice* of Dorothy E. Jaffe.
[10] On January 11, 2021, the Company filed the corrected Direct Testimony of Keith C. Coffer, Jr.

Weide, Ph.D., President of Financial Strategy Associates;[11] Kevin R. Kochems, Manager of Regulatory Accounting; Zachary Long,[12] Senior Strategic Advisor for Financial and Business Services and Mergers and Acquisitions; Allen W. Rooks, Manager of Electric Pricing and Rate Administration; and John J. Spanos, associated with the firm of Gannett Fleming Valuation and Rate Consultants, LLC. Exhibits were included with the Direct Testimony of witnesses Kochems, Vander Weide, Elbert, Coffer, Spanos, and Rooks.

Frank Knapp, Jr. filed a Petition to Intervene on September 8, 2020.[13]

On September 9, 2020, the Commission issued Order No. 2020-600 and directed its Clerk's Office to develop a proposed public night hearing schedule to allow interested parties the opportunity to provide testimony and comment in this docket.

Walmart Inc. ("Walmart"), represented by Stephanie U. Eaton, Esquire, Carrie Harris Grundman, Esquire, and Derrick Price Williamson, Esquire filed a Petition to Intervene on September 15, 2020.[14]

AARP, represented by Adam Protheroe, Esquire, and John B. Coffman, Esquire, filed a Petition to Intervene on September 24, 2020.[15]

[11] On October 28, 2020, the Company filed the corrected Exhibit JVW-7 to witness Vander Weide's Direct testimony. According to the Company, in reviewing witness Vander Weide's exhibit, it was discovered that the exhibit previously filed with Dr. Vander Weide's pre-filed direct testimony on September 4, 2020, inadvertently excluded pages six and seven. In the October 28, 2020, filing, the Company filed the Corrected Exhibit No. __ (JVW-7), which is intended to correct that omission.

[12] On January 14, 2021, a Verification of witness Long's Direct and Rebuttal Testimonies was submitted to the Commission without objection from the remaining parties.

[13] On September 23, 2020, the Commission issued Order No. 2020-638 in which it granted Frank Knapp's Petition to Intervene.

[14] On October 1, 2020, the Commission issued Order No. 2020-659 in which it granted Walmart's Petition to Intervene.

[15] On October 8, 2020, the Commission issued Order No. 2020-698 in which it granted AARP's Petition to Intervene.

On September 25, 2020, in accordance with the August 28, 2020, letter from the Commission's Clerk's Office regarding the Company's Second Revised Notice of Filing in which the Company was instructed to publish the Notice in newspapers of general circulation in the affected areas by September 14, 2020, and provide proof of publication on or before September 30, 2020, the Company provided proof of publication.

The SCEUC, represented by Scott Elliott, Esquire, filed a Petition to Intervene on September 30, 2020.[16]

The Commission scheduled virtual public hearings for November 9, 2020, November 10, 2020, and November 12, 2020. *See* Order No. 2020-661. The Commission directed the Company to furnish notice of the public hearings to all customers by no later than October 30, 2020, which the Company subsequently did.

On October 12, 2020, AARP filed a Motion *pro hac vice* of John B. Coffman, Esquire.[17]

On October 26, 2020, in accordance with the October 5, 2020, letter from the Commission's Clerk's Office regarding the Commission's Notice of Virtual Public Hearings in which the Company was instructed furnish the Notice by U.S. Mail or by electronic mail to those customers who had agreed to receive notice by electronic mail on or before October 23, 2020, and to provide certification on or before October 30, 2020, the Company provided proof of publication.

The SACE/CCL, represented by Katherine Lee Mixson, Esquire, and David Neal, Esquire, filed a Petition to Intervene on October 30, 2020.[18]

[16] On October 21, 2020, the Commission issued Order No. 2020-712 in which it granted SCEUC's Petition to Intervene.
[17] On October 21, 2020, the Commission issued Order No. 2020-713 in which it granted AARP's Motion for admission *pro hac vice* of John B. Coffman, Esquire.
[18] On November 9, 2020, the Commission issued Order No. 2020-106-H in which it granted SACE/CCL's Petition to Intervene.

On November 3, 2020, the Company filed a Motion *in limine* to preserve objections to public night hearing testimony. Also on that date, the Company filed a Motion *in limine* in which the Company sought an order from the Commission excluding testimony of persons associated with or speaking on behalf of Interveners and who might seek to present evidence as public witnesses at night hearings in this matter.

On November 5, 2020, the Sierra Club filed a response to the Company's Motion *in limine* to Exclude Testimony of Persons Associated with or Speaking on Behalf of Interveners Presenting Evidence as Public Witnesses at Night Hearings. On November 9, 2020, ORS filed a response to the Company's Motion *in limine*.[19]

The Commission held public hearings on November 9, 2020, November 10, 2020, November 12, 2020, January 5, 2021, and January 7, 2021. Many Company customers attended these hearings and testified regarding the Company's proposed increase. [20]

On November 10, 2020, AARP filed the Direct Testimony and Exhibits of Scott J. Rubin, independent consultant and attorney; SCEUC filed the Direct Testimony and Appendix of Kevin W. O'Donnell, President of Nova Energy Consultants, Inc., and the Direct Testimony, Appendix,

[19] During preliminary matters of the public hearing that occurred on November 9, 2020, counsel for DESC presented an agreement reached between DESC and ORS that resolved the issue raised in DESC's motion *in limine* and allowed the Company the ability to make objections subsequent to the night hearing testimony. According to that agreement, DESC reserved its right to make evidentiary objections in writing within 15 days after the transcript of each night hearing was made available. Thereafter, ORS and other parties had the ability to respond to any such objection within 15 days of it being made. This agreement continued throughout the night hearings in November and the Commission accepted this arrangement. Regarding its other motion *in limine* to exclude certain testimony in the night hearing, the Company requested that the Commission instruct that witnesses only testify on behalf of themselves and not in a representative capacity and on behalf of an entity already intervening in the proceeding.

[20] *See*, for example, testimonies of Pamela Laury, Cynthia Jordan, Deborah Bridges, Andres Cruz, Senator Shane Massey, Senator Tom Young, Senator Mia McCloud, Carley Eason Evans, Bernie Miller, Robert Clendenin, and John Simmons.

and Exhibits of Edward G. McGavran III, P.E;[21] Walmart filed the Direct Testimony and Exhibits of Lisa V. Perry, Senior Manager of Energy Services; DoD-FEA filed the Direct Testimony and Exhibits of Zhen Zhu, Ph.D., Managing Consultant of C.H. Guernsey & Company, and Mark E. Garrett, President of Garrett Group Consulting, Inc.; the DCA filed the Direct Testimony and Exhibits of Aaron L. Rothschild, President of Rothschild Financial Consulting, Scott Hempling, President, Scott Hempling, Attorney at Law LLC, and David E. Dismukes, Ph.D., Consulting Economist with the Acadian Consulting Group; Sierra Club filed the Direct Testimony and Exhibits of Elizabeth A. Stanton, Ph.D., Director and Senior Economist of the Applied Economics Clinic; and ORS filed the Direct Testimony of William C. Kleckley, Senior Auditor, Ryder C. Thompson,[22] Director of Utility Rates and Services, Brandon S. Bickley, Regulatory Analyst, Anthony Sandonato, Senior Regulatory Manager, Anthony D. Briseno, Audit Manager, and Direct Testimony and Exhibits for Michael Seaman-Huynh, Deputy Director of Energy Operations,[23] Lane Kollen, Vice President and a Principal of J. Kennedy and Associates, Inc., J. Randall Woolridge, Ph.D.,[24] a Professor of Finance and the Goldman, Sachs & Co. and Frank P. Smeal Endowed University Fellow in Business Administration at the University Park Campus of Pennsylvania State University, David J. Garrett, managing member of Resolve Utility Consulting, PLLC, and Daniel F. Sullivan, Director of the Audit Department.

On November 16, 2020, ORS filed a Motion for Partial Summary Judgment regarding the Company's proposed amendments to Section V of its General Terms and Conditions.

[21] Witness McGavran pre-filed testimony on behalf of both SCEUC and the DCA.
[22] On December 23, 2020, witness Thompson filed Revised Direct Testimony in which retail revenue requirement figures were updated to reflect data current as of December 23, 2020.
[23] On January 21, 2021, witness Seaman-Huynh filed revised Direct Testimony and Exhibits.
[24] On January 21, 2021, witness Woolridge filed Revised Direct Testimony and Exhibits.

On November 25, 2020, the Company filed a Return to ORS's Motion for Partial Summary Judgment. On November 30, 2020, ORS filed a letter in which it stated, "[t]he [ORS] has reviewed DESC's Return and continues to assert that DESC's revisions to Section V of its General Terms and Conditions are prohibited as a matter of law and should be rejected. In the alternative, ORS recommends that the [Commission] accept DESC's offer to submit a second proposed revision to Section V of the General Terms and Conditions to clarify that DESC will not be insulated from its own negligence."

On December 2, 2020, the Commission issued Order No. 2020-777, which scheduled two additional public hearings for customers to occur on January 5, 2021, and January 7, 2021. In addition, through that Order, the Commission directed the Company to inform its residential customers of the additional public night hearings both electronically, if the customer receives their bill electronically, and via direct mailings, if the customer does not receive an electronic bill, and fully reflect the announcement is being provided by and written by DESC no later than December 1, 2020.

Also on December 2, 2020, the League of Women Voters of South Carolina filed a letter of support for the ORS recommended rate adjustments, and the Company filed a Motion to Strike certain testimony of witness Hempling. Additionally, the Company filed the Rebuttal Testimonies of witnesses Blevins; Griffin; Kochems; Coffer;[25] James W. Neely,[26] Senior Resource Planning Engineer; Kissam; Elbert; Henry E. Delk, Jr., General Manager, Fossil Hydro Operations; Steven M. Fetter, President of Regulation UnFettered; R. Scott Parker,[27] Manager of Transmission

[25] On July 2, 2021, the Company filed the corrected pre-filed Rebuttal Testimony of witness Coffer.
[26] On January 8, 2021, the Company filed the corrected pre-filed Rebuttal Testimony of witness Neely.
[27] On January 7, 2021, the Company filed the corrected pre-filed Rebuttal Testimony of witness Parker.

Planning; Spanos; Vander Weide;[28] David A. Whiteley,[29] owner of Whiteley BPS Planning Ventures LLC; Cristina Freeman, Manager of Customer Assistance; Long; Rooks; and Alison M. Nawrocki, Controller-Tax for Dominion Energy Services, Inc.[30]

On December 9, 2020, the DoD-FEA filed a Joinder to ORS's Motion for Partial Summary Judgment regarding the Company's proposed amendments to Section V of the Company's General Terms and Conditions. On the same day, counsel for the Company filed a letter with the Commission alleging the Joinder filed by DoD-FEA was untimely and should not be considered by the Commission.

On December 10, 2020, the DCA filed a Response to the Company's Motion to Strike certain testimony of witness Hempling, and DoD-FEA filed a reply to the letter filed by the Company in opposition to the DoD-FEA Joinder.

On December 15, 2020, CCL/SACE filed a Motion *pro hac vice* of David L. Neal, Esquire.[31]

On December 16, 2020, the Company filed Supplemental Testimony of witness Rooks in which he provided a modified version of the Company's proposed revisions to Section V of the Company's General Terms and Conditions.

[28] On December 11, 2020, the Company filed the corrected Exhibit JVW-4 Rebuttal, JVW-5 Rebuttal, and JVW-6 Rebuttal to witness Vander Weide's Rebuttal Testimony.
[29] On February 12, 2021, the Company filed the corrected pre-filed Rebuttal Testimony of witness Whiteley.
[30] On November 20, 2020, via electronic mail sent from Counsel for the Company to General Counsel for the Commission the Company respectfully requested/moved that its Rebuttal Testimony filing date be extended by two days until December 2, 2020. On November 25, 2020, the Commission issued Order No. 2020-119-H, in which it granted the Company's request for the two-day extension of time to the established deadlines for pre-filed Rebuttal and Surrebuttal Testimonies and Exhibits in this Docket.
[31] On December 30, 2020, the Commission issued Order No. 2020-842 in which it granted CCL/SACE's Motion for admission *pro hac vice* of David L. Neal, Esquire.

On December 17, 2020, AARP filed the Surrebuttal Testimony and Exhibit of witness Rubin; Sierra Club filed the Surrebuttal Testimony of witness Stanton; Walmart filed the Surrebuttal Testimony of witness Perry; SCEUC filed the Surrebuttal Testimonies of witnesses McGavran and O'Donnell; DCA filed the Surrebuttal Testimony of witness Hempling and the Surrebuttal Testimonies and exhibits of witnesses Dismukes and Rothschild; DoD-FEA filed the Surrebuttal Testimonies of witnesses Zhu and Garrett; ORS filed the Surrebuttal Testimonies of witnesses Briseno, Bickley, Garrett, Woolridge, and Kleckley and the Surrebuttal Testimonies and exhibits of witnesses Seaman-Huynh, Sullivan, and Kollen. Also on December 17, 2020, the Company filed a reply to DCA's return to the Company's Motion to Strike portions of witness Hempling's testimony.

On December 22, 2020, DCA filed responsive supplemental testimony of witness Hempling regarding the proposed modifications to the Company's General Terms and Conditions offered by Witness Rooks in his Supplemental Testimony.

On December 23, 2020, ORS also filed responsive supplemental testimony of witness Seaman-Huynh regarding the proposed modifications to the Company's General Terms and Conditions offered by Witness Rooks in his Supplemental Testimony. Also on December 23, 2020, the DoD-FEA filed a Motion for Partial Summary Judgment regarding the Company's revised proposed amendments to Section V of its General Terms and Conditions.

On December 30, 2020, the Commission issued Order No. 2020-843, carrying over its vote on DoD-FEA's Joinder to the ORS Motion for Partial Summary Judgment, and the Commission issued Order No. 2020-844, carrying over DESC's Motion to Strike portions of witness Hempling's testimony. The Commission also issued Order No. 2020-840, which accepted the Company's offer to file a modified version of its changes to Section V of the Company's proposed

changes to its General Terms and Conditions to clearly state that it is not intending to insulate itself from liability. The Commission held that the Company's modified version of its proposed changes to Section V of its General Terms and Conditions should clarify the Company's intent as to indemnification. Finally, the Commission gave all parties the opportunity to address questions to the Company about the matter at the rate case hearing, and that the Commission could rule on the matter in the final order. Also on that day, the Company filed Supplemental testimony of witness Coffer in which witness Coffer acknowledged the Company's agreement with certain *pro forma* adjustment updates reflected in ORS witness Sullivan's Surrebuttal Exhibit DFS-9, pages 2 and 3.

On January 4, 2021, the Company filed a return to the Motion for Partial Summary Judgment filed by DoD-FEA regarding the Company's proposed revisions to Section V of its General Terms and Conditions.

The Commission began the virtual evidentiary merits hearing on this matter on January 5, 2021, with the Honorable Justin T. Williams presiding. At the outset of the hearing the Commission took appearances from the parties. Appearing virtually on behalf of the Company were Belton Zeigler, Esquire; Mitch Willoughby, Esquire; Michael Anzelmo, Esquire; Chad Burgess, Esquire; Matthew Gissendanner, Esquire; Tracey Green, Esquire; and Katherine Mansfield, Esquire;[32] appearing virtually on behalf of SCEUC was Scott Elliott, Esquire; appearing virtually on behalf of DoD-FEA was Emily Medlyn, Esquire; Frank Knapp, Jr. appeared virtually on behalf of himself; appearing virtually on behalf of Sierra Club was Robert Guild, Esquire, and Dorothy Jaffe, Esquire; appearing virtually on behalf of DCA was Carri Grube Lybarker, Esquire, Roger

[32] On March 5, 2021, pursuant to S.C. Code Reg. 103-805(F), Kathryn Mansfield moved the Commission for leave to withdraw as counsel on behalf of Company. On March 24, 2021, the Commission issued Order No. 2021-191, which granted the Motion made by Ms. Mansfield.

Hall, Esquire and Connor Parker, Esquire; appearing virtually on behalf of AARP was Adam Protheroe, Esquire and John Coffman, Esquire; appearing virtually on behalf of Walmart was Stephanie Eaton, Esquire; appearing virtually on behalf of CCL/SACE were Kate Lee Mixson, Esquire and David Neal, Esquire; appearing virtually on behalf of ORS was Christopher Huber, Esquire, Alex Knowles, Esquire, and Andrew Bateman, Esquire. Counsel for CMC was excused from appearing at the hearing in this Docket.

Subsequent to taking appearances, the Company withdrew its request to revise Section V of its General Terms and Conditions,[33] and the Commission heard oral arguments from parties on outstanding Motions.[34] As further detailed below, the Company's Motion to Strike certain testimony of witness Hempling is moot.

Beginning January 6, 2021, and ending on January 11, 2021,[35] the following witnesses appeared, gave summaries of their testimonies, and answered questions from counsel and the Commission: Company witnesses Blevins, Freeman, Kissam, Griffin, Vander Weide, Fetter, Parker, Whiteley, Elbert, Long, Spanos, Coffer, Kochems, and Delk.

On January 8, 2021, the AARP South Carolina State Director, Teresa Arnold, filed a letter with this Commission expressing gratitude to the Commission for allowing public hearings and accommodating AARP members during the COVID-19 pandemic. Director Arnold also discussed the difficult time that many AARP members were going through as a result of the pandemic.

[33] ORS, the DoD-FEA, and DCA all indicated they did not oppose the Company's request to withdraw its proposed revisions. The Chairman accepted the Company's request to withdraw its proposed revisions to Section V of its General Terms and Conditions.

[34] *See* Order Nos. 2020-843 and 2020-844. The Motions outstanding included Partial Motions for Summary Judgment by ORS and DoD-FEA, and the Motion for Joinder by DoD-FEA, all of which pertained to the Company's proposed revisions to its Section V of its General Terms and Conditions, as well as the Company's Motion to Strike certain testimony of witness Hempling.

[35] *See* Order No. 2021-18, which was issued on January 11, 2021, and ordered "that this hearing be paused for six months, with a new hearing date, if necessary, of July 12, 2021, to begin at 9 a.m."

Accordingly, Director Arnold requested that "[i]f the commission grants any rate increase to Dominion Energy […] the implementation of any increase be delayed due to the COVID-19 pandemic."

On January 11, 2021, the Executive Director of ORS, Nanette Edwards, filed a letter with the Commission stating that,

> Based upon the testimony and evidence presented to the Commission up to this point and the extraordinary circumstances confronting citizens and ratepayers, ORS offers its recommendation to [DESC] to all parties in this proceeding, and to the [… Commission], that a ratemaking 'pause' be considered and permitted for a minimum of six (6) months beyond the pending deadline to issue a regulatory decision.

Also, on January 11, 2021, the Commission issued Order No. 2021-18, granting a six-month pause in the hearing as a result of the extraordinary circumstances confronting DESC ratepayers due to COVID-19 and to allow the parties to discuss settlement. That Order further directed that the parties should provide status updates every thirty days on the progress of settlement discussions and established that the hearing, if necessary, would resume on July 12, 2021. On January 12, 2021, ORS filed a Stipulation to Stay the Application signed by certain parties,[36] indicating that "[d]uring the pendency of the stay, the parties… shall file written status reports every thirty (30) days with the Commission on the progress of settlement discussions. The reports shall be filed on the fifteenth day of every month with the first report due February 15, 2021."[37]

[36] While not all parties had signed as of January 12, 2021, all remaining signatures were submitted to the Commission on January 13, 2021.

[37] *See* Stipulation filed by ORS on January 12, 2021, Commission Docket Management System Matter ID number 296490. Thereafter, the parties to the proceeding jointly filed status updates on: February 16, 2021; March 15, 2021; April 15, 2021; May 17, 2021; and June 16, 2021.

On January 15, 2021, the Company filed three late-filed hearing exhibits.[38]

From January through June 2021, all parties to this docket engaged in extensive settlement negotiations in pursuit of a comprehensive resolution of all issues in this proceeding and submitted the required monthly status reports to the Commission. On July 2, 2021, ORS filed a comprehensive settlement agreement, including attachments A through E ("Settlement Agreement"), executed by all parties to this docket except CMC Steel ("Settling Parties"). CMC Steel did not object to the settlement agreement. The Settling Parties also filed a Joint Motion for Approval of Comprehensive Settlement Agreement ("Joint Motion"). The Joint Motion requested, among other things, that the Commission enter an order approving the comprehensive settlement agreement and that at the outset of the merits hearing scheduled to begin on July 12, 2021, the Commission allow the Settling Parties to introduce testimony and evidence in support of the comprehensive settlement agreement. On July 2, 2021, the Chief Hearing Officer issued Order No. 2021-93-H allowing the parties to present the settlement agreement and introduce testimony and evidence in support of the settlement agreement at the outset of the merits hearing on July 12, 2021, and directed that all witnesses who pre-filed testimony but did not testify prior to the January 11, 2021, pause would present their testimony in the normal manner before the Commission following the presentation of settlement testimony.[39] Also on July 2, 2021, the Company filed the

[38] *See:* Hearing Exhibit No. 14 (AFUDC associated with deferred transmission investment); Hearing Exhibit No. 29 (compensation paid to the four most highly compensated officers of Dominion Energy and to the president of DESC showing the percentage of their compensation that was tied to financial goals); and Hearing Exhibit No. 30 (information showing the percentage by which the 2019 Annual Incentive Plans goals were met).

[39] Order No. 2021-93-H was subsequently modified to allow for the stipulation of non-settlement witness' testimony and exhibits into the record at the July 12, 2021 hearing. *See* E-mail from Hearing Officer Butler sent to all parties on July 8, 2021, at 11:47 am.

Settlement Testimonies of witnesses Rooks, Kissam, and Blevins, and ORS requested that all parties have the option of appearing before the Commission on July 12, 2021, in person.

The Chief Hearing Officer held a status conference on July 6, 2021, attended by all parties, except Frank Knapp, who was not able to participate, to discuss procedural matters for the upcoming hearing, including the filing of pre-filed settlement testimony. Subsequent to the status conference, Chief Hearing Officer Butler issued a report summarizing the matters discussed.

On July 7, 2021, DoD-FEA filed Settlement Testimony of Mark Garrett; Sierra Club filed Settlement Testimony of Will Harlan, Senior Campaign Representative for Sierra Club's Beyond Coal Campaign; ORS filed Settlement Testimony of Dawn M. Hipp, Chief Operating Officer; and Walmart filed Settlement Testimony of Lisa Perry.

On July 8, 2021, AARP filed Settlement Testimony of Emma Myers, its State President of AARP South Carolina. Each of the witnesses who pre-filed Settlement Testimony appeared before the Commission to testify and respond to Commission questions on July 12, 2021. The pre-filed non-settlement testimonies and exhibits of the remaining witnesses were stipulated into the record at the hearing on July 12, 2021, and the parties provided verifications of all non-settlement pre-filed testimony and exhibits not already entered into the record. The witnesses' testimonies are detailed further below.

II. THE SETTLEMENT AGREEMENT

The Commission convened and conducted an evidentiary hearing in this matter and has considered all issues raised by the parties and evidence presented to the Commission. Moreover, the Commission has carefully considered the terms of the Settlement Agreement and specifically the question of whether a rate increase embodying the terms contained in the Settlement

Agreement would be just, fair, and reasonable; in the public interest; and otherwise would be in accord with applicable law and sound regulatory policy. For the reasons set forth below, the Commission finds that an order approving the Settlement Agreement will result in rates that are just, fair, and reasonable to all rate classes; will be in the public interest; and will otherwise be in accordance with applicable law and sound regulatory policy. The Settlement Agreement was accepted into the record of the hearing as Hearing Exhibit No. 38.

In its Application, the Company sought approval of an ROE of 10.25% and requested a revenue increase of approximately $178 million, or 7.75%, based on the adjusted data for the period of January 1, 2019 through December 31, 2019 ("Test Year").[40] The Settlement Agreement provides for an ROE of 9.50% and a revenue increase of approximately $61.6 million.[41] However, DESC agrees to return to customers the Unprotected Property related Excess Deferred Income Tax ("EDIT") via a Decrement Rider (the "Decrement Rider") beginning with all bills rendered on or after September 1, 2021, and concluding when the total balance of the Unprotected Property related EDIT, which will equal approximately $99.5 million as of September 1, 2021 (grossed up for taxes), is depleted.[42] Using the Decrement Rider to return the Unprotected Property related EDIT to DESC's customers serves to reduce the overall impact on customers to a net annual increase of approximately $35.6 million until the EDIT is exhausted, which is a reduction from the Company's Application of approximately $142.4 million or 80%.[43] Under the Settlement Agreement, a residential customer using 1,000 kilowatt-hours ("kWh") per month would see a monthly increase of approximately $1.81 (a 1.46% increase) compared to an increase of

[40] Hearing Exhibit No. 38 ⁋ 7.
[41] *Id.*
[42] *Id.* at ⁋ 6.
[43] *Id.* at ⁋⁋ 6 and 7.

approximately $9.68 for the same residential customer under the Company's Application.[44] According to the Settlement Agreement, the settled upon rates will be effective beginning with bills rendered on and after September 1, 2021.

The Settlement Agreement also adopts, except in limited and specified circumstances, all recommendations, adjustments, and customer protections in the testimony and exhibits of ORS witnesses.[45] Under the Settlement Agreement, the monthly Basic Facility Charge ("BFC") for residential customers under Rate 8 will increase by $0.50 to $9.50 compared to the originally requested BFC of $11.50.[46] The BFC for the remaining residential customer classifications will remain unchanged.[47] DESC agrees to not file a general rate case application prior to July 1, 2023, such that new rates will not be effective prior to January 1, 2024, except where necessary due to unforeseen extraordinary economic or financial conditions that may include, but not be limited to, changes in tax rates.[48] DESC agrees to double the annual commitment to $1.5 million to Energy Share in 2021 and 2022, $500,000 of which will be used to support small general service customers.[49] This annual commitment will be funded by Dominion Energy Shareholders; therefore, the Company will not seek recovery from customers.[50] DESC agreed to provide a cost benefit analysis to include an economic justification for any future grid investment plan cost recovery in a future general rate proceeding. DESC commits to give up to $30 million from Dominion Energy Shareholders as follows (a) up to $15 million to forgive pro rata share balances

[44] *Id.* at ⁋ 7.
[45] *Id.* at ⁋ 4.
[46] *Id.* at ⁋ 8; Hearing Exhibit 41 (AWR-2).
[47] *Id.*
[48] *Id.* at ⁋ 13.
[49] *Id.* at ⁋ 14.
[50] *Id.*

more than 60 days past due for all electric customer classes as of May 31, 2021; and (b) $15 million to fund a combination of energy-efficiency upgrades and critical health and safety repairs that may be required in order for a home to receive energy efficiency upgrades.[51] DESC commits to initiate a stakeholder process within 90 days after the Commission issues a final order approving the terms of this Settlement Agreement to examine an electricity affordability program for DESC's low-income customers and address the need for legislation to implement such a program.[52] DESC agrees to reduce 2019 Test Year expenses by $766,000 related to certain V.C. Summer Units 2 and 3 metered accounts being transferred to Santee Cooper, and to reduce the proposed increase to the Major Maintenance Accrual by $4.3 million related to recent reductions to turbine maintenance contracts at the Company's Jasper Station and Columbia Energy Center. The Company agrees to file public quarterly reports on the capital expenditures at the following three coal plants: Wateree, Williams and Cope until the new Commission-ordered coal retirement studies are complete.[53]

The complete Settlement Agreement with attachments is attached as Order Exhibit No. 1 and incorporated by reference.

III. OUTSTANDING MOTIONS

As a result of the comprehensive Settlement Agreement, the Commission finds that all outstanding Motions are moot.

[51] *Id.* at ⁋ 20.
[52] *Id.* at ⁋ 21.
[53] *Id.* at ⁋ 24.

IV. STATUTORY STANDARDS AND REQUIRED FINDINGS

The evidence supporting the Company's business and legal status is contained in its Application, testimony, and in prior Commission Orders in the docket files of the Commission, of which the Commission takes judicial notice. The Company is a corporation duly organized and existing under the laws of the State of South Carolina engaged in the business of generating, transmitting, distributing, and providing electricity to public and private energy users for compensation. DESC is a public utility under the laws of the State of South Carolina, and it is subject to the Commission's jurisdiction with respect to its rates, charges, tariffs, and terms and conditions of service as generally provided in S.C. Code Ann. Sections 58-27-10 *et seq.* (*See* Application ⁋⁋ 2, 3).

The Company's current rates and charges (excluding changes in the fuel component and recovery relating to demand-side management and energy efficiency programs and other rider-based charges) were approved in Commission Order No. 2012-951 in Docket No. 2012-218-E. *Id.* at ¶ 6. Pursuant to Order No. 2018-804(A), the Test Year for purposes of this Application is the twelve-month period ending December 31, 2019. *Id.* at ⁋ 9.

The Application, testimony, exhibits, affidavits of publication, and public notices submitted by the Company comply with the procedural requirements of the South Carolina Code of Laws and the Regulations promulgated by this Commission.

These findings of fact are informational, procedural, and jurisdictional in nature, and the matters that these findings of fact involve are not contested by any party.

South Carolina Code Ann. § 58-27-810 provides, "[e]very rate demanded or received by any electrical utility . . . shall be just and reasonable." The Commission must determine a fair

rate of return that the utility should be allowed the opportunity to earn after recovery of the expenses of utility operations. The legal standards for this determination are set forth in *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 602-03 (1944) ("*Hope*"), and *Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 692-93 (1923) ("*Bluefield*").

Bluefield holds that:

> What annual rate will constitute just compensation depends upon many circumstances, and must be determined by the exercise of a fair and enlightened judgment, having regard to all relevant facts. A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting the opportunities for investment, the money market and business conditions generally.

Bluefield, 262 U.S. at 692-93.

This Commission and the South Carolina courts have consistently applied the principles set forth in *Bluefield* and *Hope*. In *Southern Bell Tel. &Tel. Co. v. Pub. Serv. Comm'n,* 270 S.C. 590, 596 (1978) ("*Southern Bell*"), the South Carolina Supreme Court, quoting *Hope*, held:

> Under the statutory standard of 'just and reasonable' it is the result reached not the method employed which is controlling…The ratemaking process under the Act, i.e., the fixing of 'just and reasonable' rates, involves the balancing of investor and the consumer interests.
>
> *Id*., 270 S.C. at 596-97, S.E.2d at 281 (quoting 320 U.S. at 602-03.

This Commission must exercise its dual responsibility of permitting utilities an opportunity to earn a reasonable return on the property it has devoted to serving the public, on the one hand, and protecting customers from rates that are so excessive as to be unjust or unreasonable, on the other, by "(a) Not depriving investors of the opportunity to earn reasonable returns on the funds devoted to such use as that would constitute a taking of private property without just compensation[, and] (b) Not permitting rates which are excessive." *Southern Bell*, 270 S.C. at 605, 244 S.E.2d at 286 (Ness, J. concurring and dissenting). Ultimately, this balancing act takes place within the context of a utility setting forth proposed rates—pursuant to Title 58, Chapter 27, Article 7 of the S.C. Code of Laws—for the exclusive purpose of the utility receiving revenue sufficient to yield a reasonable return.

Additionally, the Commission's determination of a fair rate of return must be documented fully in its findings of fact and based exclusively on reliable, probative, and substantial evidence on the whole record. *Porter v. S.C. Pub. Serv. Comm'n*, 332 S.C. 93, 93, 504 S.E.2d 320, 323 (1998). Practically, although the burden of proof in showing the reasonableness of a utility's costs that underlie its request to adjust rates ultimately rests with the utility, the South Carolina Supreme Court has concluded that the utility is entitled to a presumption that its expenses are reasonable and were incurred in good faith. *Hamm v. S.C. Pub. Serv. Comm'n*, 309 S.C. 282, 286, 422 S.E.2d 110, 112 (1992) (internal citations omitted). Nevertheless, "if an investigation initiated by ORS or by the PSC yields evidence that overcomes the presumption of reasonableness, a utility must further substantiate its claimed expenditures." *Utils. Servs. of S.C., Inc. v. S.C. Office of Regulatory Staff*, 392 S.C. 96, 110, 708 S.E.2d 755, 762–63 (2011).

The object of using test year figures is to reflect typical conditions. The Company has the benefit of choosing its test year. Where an unusual situation indicates that the test year figures

are atypical, the Commission should adjust the test year data. *Parker v. S.C. Pub. Serv. Comm'n*, 280 S.C. 310, 312, 313 S.E.2d 290, 292 (1984). Indeed, the Commission must make adjustments for known and measurable changes in expenses, revenues, and investments so that the resulting rates will accurately and truly reflect the actual rate base, net operating income, and cost of capital. *Southern Bell*, 270 S.C. at 602–03, 244 S.E.2d at 284–85.

The Commission's Findings of Facts and Conclusions reflect and apply these standards.

V. REVIEW OF THE EVIDENCE AND EVIDENTIARY CONCLUSIONS

A. Cost of Capital

1. Return on Equity

DCA Position

Before the Settlement Agreement was reached, witness Rothschild concluded the Company's cost of equity should be between 8.19% and 9.07% and recommended the midpoint of 8.63%. (Rothschild Direct, p. 87, ll. 5-7). Rothschild applied the Discounted Cash Flow Model ("DCF"), including a Constant Growth and a Non-Constant Growth method, to a proxy group of 36 publicly traded electric utility companies ("Electric Proxy Group") using data available through September 30, 2020, to arrive at his recommendation. (Rothschild Direct, p. 3, ll. 8-14). Witness Rothschild also used a Capital Asset Pricing Model ("CAPM") analysis as a check on the reasonableness of the DCF indicated results. (Rothschild Direct, p. 3, ll. 14-15). According to witness Rothschild, his analysis focuses on using market data (*e.g.* stock prices, bond yields, stock option prices) to measure investors' expectations as much as possible, whereas witness Vander Weide relies almost exclusively on out-of-date historical stock price returns and non-market data, including economists' interest rate forecasts and analysts' earnings forecasts. (Rothschild Direct, p 7, ll. 2-7).

DESC Position

Before the Settlement Agreement was reached, Company witness Vander Weide recommended a 10.4% rate of return on equity for the Company by applying several standard cost of equity estimation techniques, including the DCF model, the *ex ante* risk premium approach, the *ex post* risk premium approach, the CAPM, and the comparable earnings method to a broad group of companies of comparable business risk. (Vander Weide Direct, p. 5, ll. 11-14; Tr. p. 340.5, ll. 11-14). Witness Vander Weide concluded that the market cost of equity for his comparable electric utility group is in the range 9.0% to 10.7%, with an average equal to 9.8%. (Vander Weide Direct, p. 44, ll. 20-22; Tr. p. 340.44, ll. 20-22). Witness Vander Weide testified that he adjusted the 9.8% average cost of equity for a risk premium and his analysis indicates that the Company requires an allowed rate of return on book equity equal to 10.4% to have an opportunity to earn the 9.8% required return on the market value of equity of his proxy group. (Vander Weide Direct, p. 47, ll. 11-15; Tr. p. 340.47, ll. 11-15).

According to witness Vander Weide, the Company's recommended rate making capital structure in this proceeding contains 46.65% debt and 53.35% common equity, whereas the average market value capital structure for his proxy group is approximately 40% debt and 60% common equity. (Vander Weide Direct, p. 6, ll. 22-25; Tr. p. 340.6, ll. 22-25). Accordingly, witness Vander Weide testified that the financial risk of DESC as reflected in its recommended rate making capital structure is greater than the financial risk embedded in the cost of equity estimates for his proxy companies. (Vander Weide Direct, p. 6, ll. 28-30; Tr. p. 340.6, ll. 28-30).

Regarding his DCF analysis, witness Vander Weide derived an average DCF result of 9.3% for his electric utility group. (Vander Weide Direct, p. 30, ll, 28-29; Tr. p. 340.30, ll. 28-29). Witness Vander Weide included a 5% allowance for flotation costs because all firms that have

sold securities in the capital markets have incurred some level of flotation costs. (Vander Weide Direct, p. 29, ll. 3, 6-8; Tr. p. 340.29, ll. 3, 6-8).

Witness Vander Weide used two methods to estimate the required risk premium on an equity investment in electric utilities: the *ex ante* risk premium method and the *ex post* risk premium method. (Vander Weide Direct, p. 32, ll. 4-6; Tr. p. 340.32, ll. 4-6). Witness Vander Weide estimated the cost of equity using the *ex ante* risk premium method, by adding the estimated risk premium over the yield on A-rated utility bonds to the forecasted or expected yield to maturity on A-rated utility bonds. (Vander Weide Direct, p. 33, ll. 7-9; Tr. p. 340.33, ll. 7-9). According to witness Vander Weide, adding an estimated risk premium of 5.64% to the expected 4.43% yield to maturity on A-rated utility bonds produces a cost of equity estimate of 10.1%. (Vander Weide Direct, p. 33, ll. 13-15; Tr. p. 340.33, ll. 13-15).

Witness Vander Weide stated that investors today require an equity return of at least 4.0% to 4.7% above the expected yield on A-rated utility bonds. (Vander Weide Direct, p. 36, ll. 27-28; Tr. p. 340.36, ll. 27-28). Accordingly, he added 4.0% to 4.7% risk premium to the 4.43% yield on A-rated utility bonds and obtained an expected return on equity in the range 8.4% to 9.1% with a midpoint estimate equal to 8.8%. (Vander Weide Direct, p. 36, ll. 28-29, p. 37, ll. 1-3; Tr. p. 340.36, ll. 28-29, p. 340.37, ll. 1-3). Witness Vander Weide next added a 20-basis point allowance for flotation costs and obtained an estimate of 9.0% as the *ex post* risk premium cost of equity. (Vander Weide Direct, p. 37, ll. 3-5; Tr. p. 340.37, ll. 3-5).

For his CAPM analysis, witness Vander Weide used a risk-free rate equal to 2.84%, an electric utility beta equal to 0.87, a risk premium on the market portfolio equal to 7.2%, and a flotation cost allowance equal to 20 basis points, to obtain a historical CAPM estimate of the cost of equity equal to 9.3% for his electric utility group. (Vander Weide Direct, p. 41, ll. 12-15; Tr. p.

340.41, ll. 12-15). Witness Vander Weide obtained a historical CAPM result equal to 9.5% using a risk-free rate equal to 2.84%, a beta equal to 0.89, the historical market risk premium equal to 7.2%, and a flotation cost allowance of 20 basis points. (Vander Weide Direct, p. 41, ll. 19-21; Tr. p. 340.41, ll. 19-21). Witness Vander Weide testified that he used the average of his two historical CAPM results of 9.4 as his estimate of the historical CAPM cost of equity. (Vander Weide Direct, p. 41, ll. 24-25; Tr. p. 340.41, ll. 24-25). Using a forward looking CAPM, witness Vander Weide obtained a risk premium on the market portfolio equal to 8.7%. (Vander Weide Direct, p. 42, l. 13; Tr. p. 340.42, l. 13). Then, using a risk-free rate of 2.8%, an electric utility beta of 0.87, a risk premium on the market portfolio of 8.7%, and a flotation cost allowance of 20 basis points, he obtained a forward-looking CAPM result of 10.6% for his electric utility group. (Vander Weide Direct, p. 42, ll. 19-21; Tr. p. 340.42, ll. 19-21).

Using the Comparable Earnings Method, witness Vander Weide concluded that the average expected rate of return on book equity for this large group of comparable-risk utilities is 10.1%. (Vander Weide Direct, p. 44, ll. 5-6; Tr. p. 340.44, ll. 5-6).

Based on his analyses, witness Vander Weide recommended a 10.4% ROE. (Vander Weide Direct, p. 48, l. 15; Tr. p. 340.48, l. 15). DESC requested a 10.25% percent ROE. (Application ¶ 32.)

DoD-FEA Position

Before the Settlement Agreement was reached, DoD-FEA witness Zhu testified that DESC's requested ROE of 10.25%, or 10.4% as recommended by witness Vander Weide, were both too high and unsupported by economic and capital market conditions. (Zhu Direct, p. 4, ll. 19-21). Witness Zhu asserted that witness Vander Weide made problematic assumptions and had several issues with the methodologies that witness Vander Weide used to estimate a cost of equity.

(Zhu Direct, p. 4, ll. 21-23). Witness Zhu calculated the cost of equity for a group of comparable companies based on multiple models, including a Constant Growth DCF model (using a two-step methodology that considers a long-term Earnings Per Share ("EPS") growth rate as represented by Gross Domestic Product growth rate) and a form of bond yield plus Risk Premium ("RP") model, to support his cost of capital recommendation. (Zhu Direct, p. 4, ll. 5-14). Based on witness Zhu's calculations from several financial models including the DCF, CAPM and RP, witness Zhu recommend an ROE recommendation of 9.1%. (Zhu Direct, p. 5, ll. 7-9).

Based on witness Zhu's DCF models, he obtained the median and mean cost of equity of 8.57% based on the Zhu proxy group. (Zhu Direct, p. 35, ll. 17-18). Witness Zhu's CAPM analysis produced ROE value ranges from a low of 6.14% to a high of 11.87% with a mean value of 9.72%. (Zhu Direct, p. 40, ll. 17-18). According to witness Zhu, the increase in the beta values of proxy companies during the pandemic has led to significant increases in the ROE values by the CAPM method that are likely temporary until the pandemic is over and the economy returns to the normal conditions. (Zhu Direct, p. 40, ll. 19-20, p. 27, ll. 3-9). For his Risk Premium analysis, witness Zhu estimated an ROE of 7.29%; with the 30- year Treasury-bond yield at 1.44%, witness Zhu's estimated ROE using the risk premium method is 8.73%. (Zhu Direct, p 41, ll. 3-5). Accordingly, witness Zhu testified that the median ROE ranges from 8.57% to 9.48%, the average ROE of three models is 9.00%, and the midpoint of three models (DCF, CAPM and RP) is 9.14%. (Zhu Direct, p. 43, ll. 15-16, p. 44, l. 1). Witness Zhu testified that due to capital market condition changes in recent years and the fact that DESC faces similar risks to its peer group companies, there is strong reason to believe that the just and reasonable ROE is below 10.4% and within his calculated range. (Zhu Direct, p. 44, ll. 2-6). Witness Zhu recommend an ROE of 9.1%. (Zhu Direct, p. 44, ll. 6-7).

ORS Position

Prior to the Settlement Agreement being reached, ORS witness Woolridge recommended an ROE of 8.9% for DESC. (Woolridge Direct, p. 7, ll. 20-21). To estimate an equity cost rate for the Company, witness Woolridge applied the DCF and the CAPM to his proxy group of electric utility companies ("Electric Proxy Group"). (Woolridge Direct, p. 7, ll. 16-18). ORS witness Woolridge's DCF and CAPM analyses indicate an equity cost rate range of 7.60% to 8.90%. (Woolridge Direct, p. 57, ll. 11-12). Relying primarily on the DCF approach, witness Woolridge recommend a ROE of 8.90% for DESC and, after applying his capital structure ratios, and the adjusted debt cost rate, his overall rate of return or cost of capital recommendation is 7.23% for DESC. (Woolridge Direct, p. 57, ll. 12-15; pp, 8-9).

Walmart Position

Before the Settlement Agreement was reached, witness Perry testified that since 2017 the Commission has issued Orders with stated ROEs in two electrical base rate cases, with the average of the ROEs approved equal to 9.50%. (*See* Perry Direct, p. 8, ll. 4-5). Witness Perry also cited data from S&P Global Market Intelligence ("S&P Global"), a financial news and reporting company, that the average of the 138 reported electric utility rate case ROEs authorized by commissions to investor-owned utilities in 2017, 2018, 2019, and so far in 2020, is 9.59%. (Perry Direct, p. 8, ll. 20-23). According to witness Perry, the average and median values are significantly below the Company's proposed ROE of 10.25%, and the Company's proposed 10.25% ROE is counter to broader electric industry trends. (Perry Direct, p. 9, ll. 2-4). Witness Perry recommended that the Commission thoroughly and carefully consider the impact on customers in examining the requested ROE, in addition to all other facets of this case, to ensure that any increase in the Company's rates reflects the minimum amount necessary to compensate the Company for

adequate and reliable service, while also providing DESC an opportunity to earn a reasonable return for its shareholders. (Perry Direct, p. 11, ll. 10-14).

Settlement Testimony and Agreement

Based on the Settlement Agreement, the parties agreed to an ROE of 9.50%. Walmart witness Perry testified that 9.50% is a reasonable ROE, particularly given the Company's capital structure. (Perry Settlement Testimony, p. 4, ll. 10-11). Moreover, witness Perry testified that a 9.50% ROE would place the Company in the bottom half of ROEs awarded since 2018 to vertically integrated utilities, and below the national average. (Perry Settlement Testimony, p. 4, ll. 11-13). A 9.50% ROE is also consistent with the ROE awarded to Duke Energy Carolina, LLC and Duke Energy Progress, LLC by the Commission in 2019. (Perry Settlement Testimony, p. 4, ll. 13-14). Additionally, the Settlement Agreement also includes a stay-out provision whereby the Company agrees not to seek new rates (except where necessary due to unforeseen extraordinary economic or financial conditions) prior to July 1, 2023.[54] This negotiated stay-out provision places some risk on the Company and supports awarding the Company the 9.5% ROE requested in the Settlement Agreement. (Perry Settlement Testimony, p. 5, ll. 9-11).

Additionally, DoD-FEA witness Garrett testified that the settled cost of capital of a 9.50% ROE and a capital structure that includes 48.38% debt and 51.62% equity is a reasonable compromise in this case. (Garrett Settlement Testimony, p. 11, ll. 7-9).

No party opposes a 9.50% ROE and a capital structure of 48.38% debt and 51.62% equity.

[54] Hearing Exhibit No. 38, ⁋ 13; Order Exhibit No. 1, ¶ 13.

Commission Finding

In *Bluefield*, the Supreme Court of the United States outlined the constitutional standards for determining an appropriate rate of return. In *Hope*, the Court reaffirmed these principles. These decisions hold that (1) a regulated public utility is entitled to rates that allow it the opportunity to earn a return on its invested capital that is equal to that being made at the same time and in the same general part of the country of other investments in business undertakings with similar risks and uncertainties, (2) the return should be such as to assure confidence in the financial soundness of the utility and adequate, under efficient and economic management, to maintain and support its credit and enable it to raise money necessary for proper discharge of its duties, and (3) the utility has no entitlement to the kinds of profits that may be realized in highly profitable enterprises.

The Commission is the fact finder in rate proceedings and must balance the interests of the using and consuming public with that of the utility appearing before it. Additionally, this Order must be based upon substantial evidence in the whole record. As a result, this Commission is bound by the parameters of evidence put forth by the parties, and it hereby carefully evaluates the evidence submitted in this case as to what ROE the Company should be authorized the opportunity to earn.

In this case, after consideration of the substantial evidence on the whole record, the Commission concludes that it is just and reasonable and a fair balancing of the interests of the Company and its customers to approve the ROE of 9.50% as set out in the Settlement Agreement. All Settling Parties believe that an ROE of 9.50% is a reasonable compromise in this proceeding. An ROE of 9.50% is equal to the average ROE awarded to electric utilities in South Carolina since 2017, and is below the average of the 138 reported electric utility rate case ROEs authorized by

commissions to investor-owned utilities in 2017, 2018, 2019, and 2020 (as of the time testimony was pre-filed in this case), which was 9.59%.

2. Cost of Debt

DCA Position

Witness Rothschild originally recommended a cost of debt of 6.46%. (Rothschild Direct, p. 8, l. 3). However, witness Rothschild had concerns that this cost of debt was significantly above the Company's current cost of debt. (Rothschild Direct, p. 13, ll. 3-4). Witness Rothschild agreed with the reasoning and position of ORS witness Kollen that the Company's increase in cost of debt to 6.46% from 5.56% was a new nuclear development-related abandonment cost. (Rothschild Surrebuttal, p. 16, ll. 3-19, p. 17, ll. 1-4).

DESC Position

Before the Settlement Agreement was reached, DESC witness Griffin asserted that the actual cost of debt in the Test Year is the only relevant factor for determining the Company's cost of debt in this proceeding. (*See* Griffin, p. 5, ll. 1-19; Tr. V6 p. 288.5, ll. 1-19). Witness Griffin testified that the Company aimed to efficiently repurchase a substantial amount of bonds to allow it to rebalance the capital structure as required by Commission Order No. 2018-804(A) specifying that the equity percentage should be within the range of 50% to 55% to support strong investment-grade credit ratings for DESC and that these repurchases were reasonable and prudent. (Griffin, p. 4, ll. 10-16; Tr. V6 p. 288.4, ll. 10-16).

ORS Position

ORS witness Kollen recommended a cost of debt of 5.56%. (Kollen Direct, p. 5, ll. 1-3). Immediately after the merger closed in early 2019, the Company initiated the early redemptions of outstanding long-term debt issues that caused an increase in the weighted cost of long-term debt

from 5.56% prior to the merger closing to the 6.46% requested in this proceeding. (Kollen Surrebuttal, p. 2, ll. 7-10). Witness Kollen asserted that the increase in the cost of long-term debt from 5.56% to 6.46% is an additional and previously undisclosed New Nuclear Development ("NND") cost and should be disallowed on that basis because the Commission foreclosed recovery of additional NND costs through either the base revenue requirement or the CCR revenue requirement in Docket No. 2017-370-E. (Kollen Surrebuttal, p. 2, ll. 11-15). Additionally, the increase in the cost of long-term debt should be considered either a merger transaction or transition cost, neither of which is allowed ratemaking recovery under the merger conditions to which the Company and Dominion Energy, Incorporated agreed and the Commission adopted in Docket No. 2017-370-E. (Kollen Surrebuttal, p. 2, ll. 22-23, p. 3, ll. 1-2).

SCEUC Position

According to witness O'Donnell, DESC requested a large increase in the embedded cost of debt in this proceeding as a direct result of the merger between SCANA and Dominion Energy. (*See* O'Donnell Direct, p. 21, ll. 2-8). Witness O'Donnell testified that Order No. 2018-804 established a merger condition that prevented incremental debt costs from being passed onto consumers in the current case and protected consumers by providing a cap on the embedded cost of debt equivalent to the debt costs that would have prevailed absent the merger. (O'Donnell Direct, p. 23, ll. 5-9). In quoting Commission Order No. 2018-804, witness O'Donnell testified that Dominion was well aware of this merger condition, and the former Commission's intent was to provide "reasonable and adequate protection for [South Carolina Electric & Gas Company] customers against any adverse impacts of the merger."[55] Accordingly, witness O'Donnell

[55] Order No. 2018-804 (A), p. 104.

recommended that the current Commission reject the DESC request and set the cost of debt at 5.56%. (O'Donnell Direct, p. 24, ll. 11-14).

Settlement Agreement and Testimony

The Parties agree to the 5.56% cost of debt as proposed by witness Kollen.[56]

Commission Finding

The Settlement Agreement adopted the 5.56% cost of debt recommended by ORS, SCEUC, and DCA.[57] The Commission is the fact finder in rate proceedings and must balance the interests of the using and consuming public with that of the utility appearing before it. Additionally, this Order must be based upon substantial evidence in the whole record. As a result, this Commission is bound by the parameters of evidence put forth by the parties, and it hereby carefully evaluates the evidence submitted in this case as to what cost of debt DESC should be authorized. Additionally, the Settling Parties agreed to the cost of debt as proposed by witness Kollen and no party opposes the compromise position put forth by witness Kollen. After consideration of the substantial evidence on the whole record, the Commission concludes that it is just and reasonable and a fair balancing of the interests of the Company and its customers to approve the cost of debt of 5.56% as set out in the Settlement Agreement.

3. Capital Structure

DCA Position

Before the Settlement Agreement was reached, DCA witness Rothschild recommended that DESC's rates should be set based on a regulatory capital structure of no more than 50%

[56] *See* Hearing Exhibit No. 38, ¶ 4; Order Exhibit No. 1, ¶ 4 which states, "[w]ithout prejudice to the position of any Party in future proceedings, the Parties agree to accept and adopt all recommendations, adjustments, and customer protections in the testimony and exhibits of ORS witnesses unless specifically modified by this Settlement Agreement."

[57] Hearing Exhibit No. 38, ¶ 4; Order Exhibit No. 1, ¶ 4.

common equity until Dominion Energy brings its common equity ratio more in line with the Commission's prior directive for DESC. (Rothschild Direct, p. 12, ll. 15-19). Witness Rothschild testified that the capital structure of Dominion Energy is important to consider in connection with the capital structure of DESC, that Dominion Energy is in the process of repurchasing $3 billion of common stock, and that it is counterproductive to fortify the common equity ratio of DESC while Dominion Energy is reducing its common equity ratio. (*See* Rothschild Direct, pp. 11-12).

DESC Position

Before the Settlement Agreement was reached, witness Griffin testified to a proposed capital structure of the Company, as of May 30, 2020, as shown in Chart A, below:

	Amount	**Ratio**	**Embedded Costs**	**Weighted Average Cost of Capital**
Long-Term Debt	$3,355,787,000	46.65%	6.46%	3.01%
Preferred Stock	$100,000	0.00%	0.00%	0.00%
Common Equity	$3,837,419,946	53.35%	10.25%	5.47%
Total Capitalization	$7,193,306,946	100.00%		8.48%

(Griffin, p. 10, ll. 4-8; Tr. V6 p. 281.10, ll. 4-8).

DESC witness Fetter generally discussed the relationship between credit ratings and capital structure and testified that DESC's proposed capital structure is based on current and actual data and would better enable the Company to improve its credit ratings than alternative recommendations. (*See* Fetter, pp. 10-21; Tr. V7 pp. 74.10-74.21).

DoD-FEA Position

Before the Settlement Agreement was reached, witness Zhu testified that he did not agree with the Company's proposed capital structure because DESC did not apply the Test Year in developing its proposed capital structure. (Zhu Direct, p. 28, ll. 7-8). Witness Zhu noted that the Commission has previously recognized the importance of using a test year and testified that DESC has not specified any convincing reasons for not following the test year rule. (Zhu Direct, p. 28, ll. 8-22 (citing Order No. 2019-323 May 21, 2019, pp. 14-15)). According to witness Zhu, the more appropriate capital structure for DESC is 52.5% equity and 47.44% debt, which was the actual capital structure at the end of the Test Year. (Zhu Direct, p. 28, ll. 26-27).

ORS Position

Before the Settlement Agreement was reached, ORS witness Woolridge testified that DESC's proposed capitalization has more equity and less financial risk than the capitalizations of other electric utility companies and DESC's parent, Dominion Energy, as well as those approved by state regulatory commissions for electric utility companies. (Woolridge Revised Direct, p. 7, ll. 9-11). As a result, witness Woolridge recommended a capital structure with a common equity ratio of 50.0% as more reflective of the capital structures of electric utilities. (Woolridge Revised Direct, p. 7, ll. 11-13). Moreover, according to witness Woolridge, this capital structure includes a common equity ratio that is about halfway between DESC's proposed capital structure of 53.35% and the average common equity ratios of DESC and Dominion Energy, as well as the two proxy groups. (Woolridge Revised Direct, p. 29, ll. 10-12).

In response to DESC witness Fetter's Rebuttal Testimony on capital structure, ORS witness Woolridge noted that witness Fetter provided general discussion on credit ratings and capital structure, but performed no studies, did not point to specific comments from credit reports to

support his opinion that witness Wooldridge's proposed capital structure was not appropriate, and otherwise failed to provide empirical evidence to support the Company's proposed capital structure. (*See* Woolridge Surrebuttal, p. 6, ll. 11-14).

Settlement Testimony and Agreement

The Settling Parties agreed to a capital structure of 48.38% debt and 51.62% equity.[58] Witness Garrett testified that a capital structure that includes 48.38% debt and 51.62% equity is a reasonable compromise in this case. (Garrett Settlement Testimony, p. 11, ll. 8-9).

Commission Finding

South Carolina law requires "[t]he determination of a fair rate of return must be documented fully in its findings of fact and based exclusively on reliable, probative, and substantial evidence on the whole record." *Porter*, 332 S.C. at 98, 504 S.E.2d at 323 (citing S.C. Code Ann. § 58-5-240). In making its decision, this Commission cannot make a determination based upon surmise, conjecture, or speculation. *See Herndon v. Morgan Mills, Inc*., 246 S.C. 201, 143 S.E.2d 376 (1965).

The Settlement Agreement adopted a capital structure that includes 48.38% debt and 51.62% equity. No party opposes this capital structure, and all Settling Parties support this capital structure within the context of the Settlement Agreement. This capital structure is within the range of capital structures included in the recommendations of the expert witnesses in this case. The Commission is the fact finder in rate proceedings and must balance the interests of the using and consuming public with that of the utility appearing before it. Additionally, this Order must be based upon substantial evidence in the whole record. After consideration of the substantial

[58] Hearing Exhibit No. 38, ¶ 5; Order Exhibit No. 1, ¶

evidence on the whole record, the Commission concludes that it is just and reasonable and a fair balancing of the interests of the Company and its customers to approve a capital structure of 48.38% debt and 51.62% equity as set out in the Settlement Agreement.

B. Cash Working Capital

DESC Position

Before the Settlement Agreement was reached, witness Kochems testified that, as previously recognized by this Commission, a lead-lag study is "extremely complex and expensive" and the Company's "customers would ultimately pay the cost of" such a study. (Kochems, p. 8, ll. 2-6; Tr. V9 p. 221.8, ll. 2-6, *citing* Commission Order No. 96-15, pp. 25-26 (Jan. 9, 1996)). Additionally, witness Kochems testified that the Commission has previously determined that a "lead-lag study performed in [Docket No. 88-681-E] did not provide a better approximation of cash working capital needs than the one-eighth formula." (Kochems, p. 9, ll. 14-16; Tr. V9 p. 221.9, ll. 14-16, *citing* Order No. 96-15, p. 25). Finally, witness Kochems testified that a lead-lag study is a time-consuming process and cannot be performed during the application process. (Kochems, p. 9, ll. 19-21; Tr. V9 p. 221.9, ll. 19-21) Accordingly, witness Kochems testified that if the Commission concludes that a lead-lag study would be appropriate, the Company should only be required to implement this as part of the next general rate proceeding. (Kochems, p. 10, ll. 3-6; Tr. V9 p. 221.10, ll. 3-6).

DoD-FEA Position

Before the Settlement Agreement was reached, witness Mark Garrett testified that DESC is requesting $111 million for cash working capital for the South Carolina retail jurisdiction using a 45-day lag for all revenues associated with its operating expense accounts, which is referred to as the 45-day formula approach or the 1/8 method. (Garrett Direct, p. 7, ll. 3-6). According to

witness Mark Garrett, the 45-day formula is obsolete and has been abandoned by most public utility commissions. (Garret Direct, p. 7, ll. 15-16). Witness Mark Garrett testified that cash working capital is often defined as the net outlay of cash that a utility must furnish to provide service before the payment for that service is received from its customers. (Garrett Direct, p. 8, ll. 10-12). However, it is more common today for a utility to receive payments from customers before the various obligations to vendors and employees become due. (Garrett Direct, p. 8, ll. 12-13). This creates a situation where the customers are supplying DESC with cost-free capital, and a reduction to rate base is more appropriate than an increase. (Garret Direct, p. 8, l. 13-15).

Witness Mark Garrett testified that a lead-lag study is the most accurate way to determine whether the utility or its ratepayers are providing the cash that pays the utility's bills. (Garrett Direct, p. 9, ll. 4-5). Witness Mark Garrett recommended that a lead lag study is essential if a positive cash working capital requirement is requested, and without a lead-lag study, the cash working capital should be set at zero, because a well-run utility should have a negative balance. (Garrett Direct, p. 14, ll. 2-5).

Settlement Agreement and Testimony

The Settlement Parties agreed that DESC shall conduct a lead-lag study to calculate working capital for use in its next general electric rate proceeding.[59] According to witness Garrett, the Settlement Agreement represents a reasonable outcome for this issue. (Garrett Settlement, p. 6, l. 8).

[59] Hearing Exhibit No. 38 ¶ 15; Order Exhibit No. 1, ¶ 15.

Commission Finding

The Commission has a duty to balance the needs of the public and the utility such that the public is served without the utility being disserved. *Hope*, 320 U.S. at 603. Additionally, this Commission cannot make a determination based upon surmise, conjecture, or speculation. *See Herndon*, 246 S.C. 201, 143 S.E.2d 376.

The Settlement Agreement dictates that the Company shall conduct a lead-lag study to calculate working capital for use in its next general electric rate proceeding. No party opposes this, and all Settling Parties support this as just and reasonable within the context of the Settlement Agreement. Moreover, this position is supported by the testimony of DoD-FEA witness Garrett. The Commission is the fact finder in rate proceedings and must balance the interests of the using and consuming public with that of the utility appearing before it. Additionally, this Order must be based upon substantial evidence in the whole record. After consideration of the substantial evidence on the whole record, the Commission concludes that it is just and reasonable and a fair balancing of the interests of the Company and its customers to require the Company to conduct a lead-lag study to calculate working capital for use in its next general electric rate proceeding as set out in the Settlement Agreement.

C. Unprotected Property Related EDIT Amortization

DESC Position

DESC originally requested to amortize all plant-related EDIT (protected and unprotected) in the same manner. (Nawrocki Rebuttal 5). DESC proposed using the same amortization period (the remaining life of the plant) for all plant-related EDIT for uniformity with Commission Order No. 2018-804(A), ease of administration, and sound regulatory economics. (Nawrocki Rebuttal 5-6).

DoD-FEA Position

According to witness Mark Garrett, the Tax Cuts and Jobs Act ("TCJA") reduced the federal corporate tax rate from 35% to 21%, and utilities that had collected taxes from ratepayers at the higher (35%) corporate tax rate were in possession of over-collected taxes (paid by ratepayers) that the utilities would not be required to pay. (Garrett Direct, p. 15, ll. 13-16). Per the TCJA-specific rules for the return of these EDIT to ratepayers, unprotected EDIT can be given back to ratepayers over any period of time prescribed by the state commission. (Garrett Direct, p. 15, ll. 16-21). Witness Mark Garrett testified that a timely return of the ratepayers' overpaid taxes is the appropriate treatment from a policy perspective, especially considering economic conditions caused by COVID-19. (Garrett Direct, p. 17, ll. 7-12). Witness Mark Garrett recommended that the Commission order DESC to refund to ratepayers all the Unprotected Property related EDIT over a five-year period. (Garrett Direct, p. 20, ll. 11-12).

ORS Position

EDIT is a refund due to customers for their overpayments of income taxes in prior years that now never will be paid to the federal government in the future because of the lower federal income tax rates pursuant to the TCJA. (Kollen Surr. 13). The equitable disposition of these refunds is to the customers who overpaid in those prior years, not to the customers who will take service over the next 50 years, which is the amortization period that the Company presently uses under the Average Rate Assumption Method. ORS witness Kollen recommended a five-year amortization period for Unprotected Property related EDIT regulatory liabilities. (Kollen Direct 6).

Settlement Agreement and Testimony

Under the Settlement Agreement, DESC agrees to return to customers the Unprotected Property related EDIT via a Decrement Rider (the "Decrement Rider") beginning with all bills

rendered after Commission approval of this Settlement Agreement and concluding when the total balance of the Unprotected Property related EDIT, which will equal approximately $99.5 million as of September 1, 2021 (grossed up for taxes), is depleted.[60] The Decrement Rider shall be based on Test Year retail energy usage and shall appear as a separate line item on customer bills rendered monthly. The Decrement Rider shall be calculated to effectively limit the overall rate impact on customers, until the EDIT is exhausted, to a net annual increase of approximately $35.6 million. DESC agrees to continue to return the Unprotected Property related EDIT via the Decrement Rider in the manner described above until the full balance of Unprotected Property related EDIT of $99.5 million is depleted regardless of any change to the federal corporate tax rate that may occur in the future or any general rate proceeding filed by DESC.

DESC witness Blevins testified that to mitigate the rate increase to customers, DESC would flow back to customers on an accelerated basis Unprotected Property related EDIT totaling approximately $99.5 million as of September 1, 2021 (grossed up for taxes) through a decrement rider in an amount calculated to reduce the overall annual impact to $35.6 million. The decrement rider will end when the balance of Unprotected Property related EDIT is exhausted, which is currently expected to occur in 2025. (Blevins Settlement 3).

Hearing Exhibit No. 40, sponsored by DESC witness Rooks, aligns with Attachment B to the Settlement Agreement and summarizes the Rate Design being presented to the Commission for approval, including the EDIT Decrement Rider. (Rooks Settlement 2).

[60] Hearing Exhibit No. 38, ¶ 6; Order Exhibit 1, ¶ 6; This method of giving back a utility's Unprotected Property related EDIT to the utility's customers has previously been approved by this Commission in Order Nos. 2019-341 and 2019-323 and is currently occurring for both Duke Energy Carolinas, LLC and Duke Energy Progress, LLC.

DoD-FEA witness Garrett testified that the Settlement Agreement results in an amortization of Unprotected Property related EDIT each year of about $26 million, approximately a four-year amortization of the $99.5 million EDIT balance, which is comparable to the amortization period recommended by DoD-FEA witness Garrett. Witness Garrett testified that this is a reasonable result. (M. Garrett Settlement 6-7).

Commission Finding

The Commission as the factfinder has carefully evaluated the evidence submitted in this case as to how Unprotected Property related EDIT should be returned to customers. After consideration of the substantial evidence on the whole record, the Commission concludes that it is just and reasonable and a fair balancing of the interests of the Company and its customers to approve the EDIT Decrement Rider as set out in the Settlement Agreement. This is consistent with the recommendation of DoD-FEA witness Garrett and provides a significant and immediate benefit to DESC's customers. Moreover, no party opposes this, and all Settling Parties support this as just and reasonable within the context of the Settlement Agreement.

D. Capital Cost Rider

DESC Position

Witness Kochems testified that Commission Order No. 2018-804 established a Capital Cost Rider ("CCR") to recover allowed capital costs associated with the abandoned nuclear plants. (Kochems p. 6, ll. 18-20; Tr. V9 p. 214.6, ll. 18-20). The CCR is kept separate from the remainder of DESC's electric rate components. (Kochems p. 6, ll. 20-21, p. 7, 1. 1; Tr. V9 p. 214.6, ll. 20-21, p. 214.7, l. 1). DESC made an adjustment to the Test Year for amounts associated with the CCR to keep those amounts separate from base retail electric rates. (Kochems p. 7, ll. 2-3; Tr. V9 p. 214.7, ll. 2-3).

According to witness Griffin, adjusting the CCR would be contrary to the basis on which the rider was proposed and approved as a condition of Dominion Energy agreeing to the merger. (Griffin, p. 14, ll. 9-11; Tr. V6 p. 288.14, l. 9-11). Moreover, witness Griffin testified that the adjustment to the CCR is outside the matters noticed and not properly before the Commission in this proceeding. (Griffin, p. 14, ll. 13-14; Tr. V6 p. 288.14, ll. 13-14).

ORS Position

ORS witness Lane Kollen made recommendations related to the decision rules that affect the asset net operating loss ("NOL"), Accumulated Deferred Income Taxes ("ADIT"), and related EDIT regulatory asset and offsetting liability ADIT reflected in the Company's calculations of the CCR revenue requirement and the Company's calculations in 2019 that affect the NND regulatory liability that is used to partially fund the CCR revenue requirement. This is necessary to ensure that the rules are consistently applied throughout the remaining term of the CCR or at least until the NOL carryforward is fully utilized. (Kollen Direct 9).

Witness Kollen testified that the Company incorrectly calculated annual NOL utilization in the final three months of 2020. The error incorrectly increased the CCR revenue requirement in 2019 by $2.027 million. As a result of this error, the Company incorrectly amortized and reduced the NND regulatory liability used to partially offset the CCR revenue requirement and reduce the amount charged to customers by the same amount. Witness Kollen testified that the Commission should direct the Company to correct the calculation and restore $2.027 million to the NND regulatory liability. This will not have an immediate effect on the CCR rates; however, it will shorten the duration of the CCR, all else equal. (Kollen Direct 27-29).

SCEUC Position

According to witness O'Donnell, nothing in Order No. 2018-804 precludes review of the CCR. (O'Donnell Direct, p. 12, ll. 14-16). The CCR compensates DESC for the abandoned nuclear costs that are not used and useful but were authorized for recovery by the former Commission. (O'Donnell Direct, p. 12, ll. 19-21). According to witness O'Donnell, the Commission should update the abandoned nuclear cost amortization to reflect the lower cost of capital that exists today as opposed to the market cost of capital that existed at the time of Commission Order No. 2018-804. (O'Donnell Direct, p. 19, ll. 5-9).

Settlement Agreement and Testimony

Under the totality of the terms of the Settlement Agreement, the parties agree that it is just and reasonable to restore $2.027 million to the NND regulatory liability and to memorialize the decision rules related to the utilization of the NOL carryforward and the ADIT, NOL EDIT, and offsetting liability included in rate base in the CCR as recommended by ORS witness Kollen.[61] The Settlement Agreement is clear that the Settling Parties acceptance of the terms of the Settlement Agreement as a whole is without prejudice to the position of any Settling Party in a subsequent proceeding. The Settlement Agreement is also clear that it must be construed as a whole and is presented to the Commission for approval in its entirety or not at all.

Commission Finding

The Commission as the finder of fact has carefully evaluated the evidence submitted in this case as to the CCR. The Commission concludes that it is reasonable and a fair balancing of the interests of the Company and its customers to direct the Company to restore $2.027 million to the

[61] Hearing Exhibit No. 38, ¶ 4; Order Exhibit No. 1, ¶ 4.

NND regulatory liability and to memorialize the decision rules related to the utilization of the NOL carryforward and the ADIT, NOL EDIT, and offsetting liability included in rate base in the CCR as recommended by ORS witness Kollen. This is consistent with what was agreed to by the Settling Parties in the Settlement Agreement.

E. Modifications to Terms and Conditions Section V

The Company requested to amend Section V of its General Terms and Conditions as part of its Application. That request was opposed by ORS, DCA, and DoD-FEA. At the beginning of the merits hearing in this case, the Company withdrew its proposed revision to Section V of the General Terms & Conditions without objection. (Tr. V4-17). The Commission accepts the Company's request to withdraw its request to amend Section V of its General Terms and Conditions. (Tr. V4-18).

F. Storm Damage Rider

DESC Position

According to witness Kissam, DESC is proposing to reinstate the collection for the storm damage reserve established in Order No. 1996-15 via a rider going forward. (Kissam p. 61, ll. 16-2; Tr. V6-203.62). Witness Kissam testified that DESC's request is to reinstate collections at the five-year average storm damage cost experienced from 2014 to 2019, which results in expense of $9.8 million per year. (Kissam p. 61, l. 21, p. 62, ll. 1-2; Tr. V6-203.62; Griffin p. 23, ll. 5-9; Tr. V6-281.24). DESC witness Coffer testified regarding accounting treatment of the storm reserve regulatory liability. (Coffer pp. 3-4; Tr. V9-162.3─162.6).

DoD-FEA Position

DoD-FEA witness Mark Garrett testified that the availability of an after-the-fact recovery of losses from major storms is a reasonable alternative to a pre-funded storm reserve. (Garrett Direct, p. 50, ll. 15-16). Witness Garrett also testified that under current economic conditions, it is not appropriate to reinstate the costly storm damage reserve and require ratepayers to pay for past costs and future costs at the same time. (Garrett Direct, p. 51, ll. 14-16).

ORS Position

ORS witness Bickley testified that ORS did not oppose implementation of a storm damage rider provided the ORS's recommended customer protections related to implementation of the rider and treatment of the storm reserve fund were also adopted. (Bickley Surr. 2-4). Witness Bickley testified that in the event a storm damage rider was to be implemented, it should include the nine specific customer protections, which are listed in this direct testimony on pages 10-12. (Bickley Direct, pp. 10-12).

Walmart Position

Witness Perry testified that the Company is proposing to recover the Storm Damage Component costs allocated to each class by embedding those costs in that class' $/kWh energy charge, including demand-metered customers. (Perry Direct, p. 15, ll. 10-12). According to witness Perry, Walmart has a concern with this disparate treatment between cost allocation and cost recovery, and with the Company recovering costs that do not vary with customer kWh usage -- i.e., demand-related costs -- through a variable charge from demand-metered customers. (Perry Direct, p. 15, ll. 12-15). According to witness Perry, recovering demand-related costs through an energy charge violates cost causation principles and results in a shift in demand cost responsibility

from lower load factor customers to higher load factor customers. (Perry Direct, p. 16, l. 6- p. 17, l. 2).

Settlement Agreement and Testimony

The Settlement Agreement removes the Company's request to resume pre-funding of the storm damage reserve. (Kissam Settlement 4; M. Garrett Settlement 7-8). DoD-FEA witness Garrett testified that the Settlement Agreement result was reasonable. (M. Garrett Settlement, p. 8, l. 9). The Settlement Agreement is clear that the Settling Parties' acceptance of the terms of the Settlement Agreement as a whole is without prejudice to the position of any Settling Party in a subsequent proceeding.

Commission Finding

The Commission as the finder of fact has carefully evaluated the evidence submitted in this case as to reinstatement of the storm reserve rider. The Commission concludes that it is just and reasonable and a fair balancing of the interests of the Company and its customers to deny reinstatement of the storm reserve rider. However, DESC is allowed to continue to defer incremental storm expenses exceeding $2.5 million per year and additional deferrals will be added to the existing deferred storm cost regulatory asset with the amortization of this deferral, as provided in this proceeding, continuing until it is fully amortized or adjusted in the next general rate proceeding. No party opposes this, and all Settling Parties support this as just and reasonable within the context of the Settlement Agreement.

G. Incentive Compensation

DESC Position

According to DESC witness Kochems, DESC proposed to remove the amount of incentive compensation and related payroll taxes charged as expense in the Test Year that exceeds 100% of

the amounts targeted pursuant to the Company's incentive compensation plan. (Kochems p. 6, ll. 8-11; Tr. V9-214.6). The Company eliminated expenses for any amounts paid in excess of 100% of the targeted amount on the basis that customers should not pay for amounts accrued above and beyond the adopted target. *Id.*

Witness Elbert described the Company's Annual Incentive Plan ("AIP"), including the short-term and long-term programs. According to witness Elbert, incentive goals tied to financial performance communicate to all employees that they have a direct stake in achieving the Company's goal of economical service to customers and preserving its access to capital markets on favorable terms. Financial goals are part of how DESC ensures that managing costs and financial expectations is part of the balance of priorities that incentives communicate. (Elbert Direct p. 22; Tr. V9-24.22; Elbert Surrebuttal, p. 10; Tr. V9-29.10). Long-term incentive plans are recognized throughout the industry as an important way to attract, retain, and motivate key talent. (Elbert Direct, p. 18, ll. 20-21; Tr. V9-24.18). Witness Elbert testified that without a long-term incentive plan the Company would need to increase other aspects of its compensation program, such as base pay or AIP, to provide a competitive pay package for leaders and other key employees. (Elbert Direct, p. 19, ll. 2-4; Tr. V9-24.19). Witness Elbert testified that the incentive compensation arrangements at issue will ultimately foster a culture of cost control, assure access to capital on reasonable terms, and benefit customers through lower cost utility service. (Elbert Direct, pp. 22, 23; Tr. V9-24.22─24.23).

DESC witness Elbert disagreed with DCA witness Hempling that the AIP plan rewards actions that are adverse to customers and asserted that the AIP is structured to support the safe, reliable, and economical provision of electricity to customers. (Elbert Surrebuttal, p.2; Tr. V9-29.2).

DCA Position

DCA witness Hempling testified that the Company's incentive compensation plans create unnecessary conflict between the Company's executives and its customers by prioritizing financial performance (potentially driven by increasing rates) over operational performance, particularly as an employee rises up the ranks. Witness Hempling recommended that the Commission require DESC to replace the current plan with one that aligns the executives' and employees' interest with the customers' interests based on priorities—such as efficiency, professional development, diversity, employee morale, and operational performance—identified by the Commission. (Hempling Direct 29-43; Hempling Surr. 1-6).

DoD-FEA Position

With respect to short-term incentive compensation, DoD-FEA witness Garrett recommended that DESC's incentive compensation plan costs presented in this docket should be shared 50/50 between shareholders and ratepayers based on the Commission's decision in Order No. 2013-41, other jurisdictions reasoning and ratemaking treatment with respect to incentive compensation based on financial performance, the contingent nature of incentive compensation funding under the DESC/Dominion AIP, the strong emphasis of the AIP on financial performance metrics prioritizing shareholder earnings, and the Company's customer satisfaction scores. (M. Garrett Direct 21-41; M. Garrett Surr. 16-17). Likewise, DoD-FEA witness Garrett also recommended full disallowance of long-term executive incentive compensation because these are also financial-based, they are designed to encourage employees to put the interest of shareholders first, it is an established regulatory practice to disallow these costs, and these costs are not necessary to provide safe and reliable service. (M. Garrett Direct 41-47; M. Garrett Surr. 16-17).

ORS Position

ORS witness Kleckley recommended disallowing incentive payments associated with financial performance-based goals for the Company's AIP and executive Long-Term Incentive Plan (LTIP), and 50% of the base pay and benefits of the top four highest paid executives. (Kleckley Direct 3). ORS's recommendation is based on the reasoning in Order No. 2019-729 and the fact that short and long-term incentives tied to financial performance measures are not certain, may not be directly attributed to the actions of the Company's employees, and should be made using increased earnings not customer rates. (Kleckley Direct 5-7). Additionally, the Company's top four executives are heavily incentivized to pursue financial performance over operating and stewardship goals, such that customers should not pay for 100% of these costs, and a sharing between customers and shareholders of these executive salaries and benefits is appropriate. (Kleckley Direct pp. 3-11; Kleckley Surr. pp. 2-5). ORS witness Kleckley recommended a total removal of $6,906,198 for costs associated with the AIP, LTIP, and salary and benefits of the top four executives. (Kleckley Direct p. 11).[62]

Settlement Agreement and Testimony

The Settlement Agreement eliminates earnings-based incentive compensation from recovery in this case and otherwise adopts the ORS recommendations relating to employee compensation.[63] The Settlement Agreement is clear that the Settling Parties' acceptance of the terms of the Settlement Agreement as a whole is without prejudice to the position of any Settling Party in a subsequent proceeding. The Settlement Agreement is also clear that it must be construed as a whole and is presented to the Commission for approval in its entirety or not at all. Moreover,

[62] Retail portion of removal is $6,740,000. (Kleckley Direct p. 3).
[63] Hearing Exhibit No. 38, ¶¶ 4, 16; Order Exhibit No. 1, ¶¶ 4, 16.

DoD-FEA witness Garrett testified that the settled upon elimination of earnings-based incentive results in savings to ratepayers and is reasonable. (M. Garrett Settlement, p. 7, ll. 12-14).

Commission Finding

The Commission has carefully evaluated the evidence submitted in this case as to incentive compensation. The Commission concludes that it is just and reasonable and a fair balancing of the interests of the Company and its customers to eliminate from rate recovery the costs of financial performance-based incentives as well as 50% of the costs for salaries and benefits for the top four employees consistent with the agreement of the Settling Parties. The corresponding downward adjustment to incentive compensation is $6,906,198. No party opposes this, and all Settling Parties support this as just and reasonable within the context of the Settlement Agreement.

H. Transmission and Distribution Assets

DESC Position

DESC witness Kissam described the Company's investment in its electric system, including approximately $2.1 billion in investment in transmission and distribution ("T&D") since the Company's last rate case. DESC witness Kissam described DESC's process for evaluating transmission investment and emphasized the reliability benefits these investments supported, including compliance with mandatory North American Electric Reliability Corporation ("NERC") standards and providing cybersecurity benefits. (Kissam Direct 26-28; Tr. V6-203.27─203.29). Witness Kissam testified that DESC's transmission investments have helped it to incorporate solar onto its system and have provided grid hardening-related benefits that have provided resiliency against extreme weather events. (Kissam Direct 30-36; Tr. V6-203.31─203.36). With respect to distribution investment, since the close of the 2011 test year, DESC has installed approximately 53,000 new or replacement distribution transformers and approximately 3,100 miles of new or

replacement distribution lines. This investment has been necessary to accommodate the addition of over 80,000 customers since 2011, to reduce customer outages, and to roll out Advanced Metering Infrastructure. (Kissam Direct 48-51; Tr. V6-203.49─203.52). Since 2011, DESC has improved its safety record, improved its System Average Interruption Duration Index scores significantly, and reduced customer outages due to extreme weather. (Kissam Direct, p. 3-12; Tr. V.6-203.4─203.13).

Witness Kissam also testified specifically about the transmission assets constructed in connection with the planned V.C. Summer Units 2 and 3 ("Transmission Assets"). (Kissam Direct p. 42-48; Tr. V6-203.43─203.49). In this proceeding, DESC requested recovery of the Transmission Assets of approximately $322 million. (Seaman-Huynh Direct 17-18). The Transmission Assets consist of:

- VCS1 - Killian 230 kV line 1
- VCS2 - Lake Murray #2 230 kV line 2
- VCS2 - Orangeburg East 230 kV line 3
- Orangeburg East - St. George 230 kV line 4
- VCS2 - Saluda River 230 kV line 5
- Saluda River - St. George 230 kV line

(Seaman-Huynh Revised Direct 17).

Witness Kissam testified that before the construction of these assets, the DESC system needed additional strengthening and additional capacity for the transmission system feeding power into the Company's major load areas that had to be transported from where generation is located. (Kissam Direct, p. 42,43; Tr. V6-203.43─203.44). Witness Kissam testified that combining the upgrades into a single project created economies of scale in procurement and allowed for efficient

use of resources, minimized mobilization and demobilization costs, and was the most efficient means of producing savings and at the same time improving system reliability. (Kissam Direct 44-46; Tr. V6-203.45─203.47). Witness Kissam testified that DESC designed and delivered a comprehensive upgrade to the capacity, reliability, and resilience of its transmission system through a single project, which was delivered on time and on budget, in a way that resulted in significant savings. (Kissam Direct 46; Tr. V6-203.47). Without these upgrades, witness Kissam testified that the lines and other assets would be overloaded or highly loaded under NERC criteria, and that relatively more expensive and less efficient piecemeal projects would have been required. (Kissam Direct 46-48; Tr. V6-203.47─203.49). Without these assets in service, hundreds of miles of transmission lines and multiple transformers would be overloaded today under planning criteria approved by the Federal Energy Regulatory Commission ("FERC"). (Kissam Direct 66-67; Tr. V6-203.68).

DESC witness Whiteley reviewed the planning, development, and use of transmission upgrade projects undertaken to reinforce the DESC transmission system in anticipation of the completion of the two new nuclear generation plants and described the value of those projects to customers. (Whiteley Rebuttal 4; Tr. V7-191.4).

According to witness Whiteley, although these transmission lines would have accommodated new generation resources at V.C. Summer, they also were planned to be an integral part of the existing DESC transmission system and reinforce the transmission system's north-south corridor. (Tr. V7-191.24). This reinforcement now benefits system performance, flexibility, reliability, and resiliency, along with the ability to facilitate generation retirements and connection of new generation resources. The DESC transmission system would be inadequate without these facilities. The current and expected level of loading on the Transmission Assets is in line with what

would normally be expected for systems across North America and is in the range of reasonableness recognizing all the potential operating needs. *Id.*

DESC witness Parker testified that the transmission planning analysis DESC has conducted shows the benefits of the Transmission Assets to the safe and reliable operation of DESC's transmission system even with the cancellation of the NND Project. (Tr. V7-105.28–105.29). Without the Transmission Assets, the system would fail to meet statutory reliability standards and requirements today, and the situation would grow progressively worse with time. (Tr. V7-105.29).

ORS Position

Prior to reaching a settlement, ORS recommended that the Commission consider a cost-sharing or phase-in for cost recovery of the transmission assets planned and built to provide transmission support for the now abandoned V.C. Summer Units 2 and 3 ("Transmission Assets"). (Seaman-Huynh Surr. 7-9). Witness Seaman-Huynh testified that based on the average and maximum capacity at which the Transmission Assets operated during the Test Year and were expected to operate for the near future, the Transmission Assets did not appear to be fully utilized. (Seaman-Huynh Revised Direct 21; Seaman-Huynh Surr. 8). ORS recommended that the Commission carefully consider whether it is just and reasonable for DESC's current customers to pay for 100% of the Transmission Assets and that the Commission consider a phase-in approach for Transmission Asset cost recovery. (Seaman-Huynh Revised Direct 21-22).

SCEUC Position

SCEUC witness O'Donnell testified that DESC is seeking to add $2.1 billion to rate base overall for T&D investments made since the Company's last rate case. Witness O'Donnell testified that if any of these investments are related to Dominion Energy's Grid Investment Plan, the public has a right to know if those assets are cost beneficial. Witness O'Donnell identified approximately

$68 million of investment as Grid Investment Plan-related and testified that the Commission should not allow approximately $51 million of the T&D investments into rate base pending submission of a cost benefit analysis proving the benefit to customers of these investments exceed their costs. (O'Donnell Surr. 3, 18).

With respect to the Transmission Assets, SCEUC and DCA witness McGavran testified that while there is benefit even in light of the cancellation of V.C. Summer Units 2 and 3, the cost of the transmission infrastructure exceeds the benefits required to deliver reliable service to the same customer base that existed prior to the cancellation of the units. (McGavran Direct, p. 2, ll. 21-22, p. 3, ll. 1-2). According to witness McGavran, to serve the anticipated electric load from V.C. Summer Units 2 and 3, SCE&G required construction of four new 230 kV transmission lines as well as the construction of a new major switchyard at the plant to accommodate these line exits. (McGavran Direct, p. 6, ll. 7-11). Witness McGavran testified that the construction of the transmission infrastructure was solely to accommodate increased capacity from V.C. Summer Units 2 and 3. (McGavran Direct, p. 8, ll. 1-5). Witness McGavran asserts that while the Commission approved of the construction of these transmission assets along with the construction of V.C Summer Units 2 and 3, at no point did the Commission approve these upgrades or look at them as prudent without the construction of V.C Summer Units 2 and 3. (McGavran Direct, p. 11, ll. 8-9).

Witness McGavran testified that he disagreed with DESC witnesses Parker and Whitely that the Transmission Assets are now necessary to meet capacity needs. (McGavran Surr. 1). The transmission expansion rested on the assumption that the new nuclear units would be constructed and placed in service, not the need for interconnections. (McGavran Surr. 2-3). Witness McGavran testified that the benefit of the transmission expansion to ratepayers is minimal in light of the

abandonment, the lines are currently experiencing low utilization and are not currently fully utilized. (McGavran Surr. 4-12). Future benefits from the transmission expansion are currently speculative and the present benefits of the transmission expansion could potentially have been accomplished in a more cost-effective way, although that is difficult to determine. (McGavran Surr. 4-12). Witness McGavran asserts that DESC has failed to prove the extent to which the transmission expansion costs are used and useful such that they should be included in rates. (McGavran Surr. 12-13).

Settlement Agreement and Testimony

The Settlement Agreement incorporates reporting requirements that the Company provide cost benefit analyses for future grid investment plan cost recovery in a future rate case based on SCEUC witness O'Donnell's recommendation.[64]

Regarding the Transmission Assets, under the totality of the terms of the Settlement Agreement, the parties agree that it is just and reasonable for the Company to recover 100% of its Transmission Assets, which total approximately $322 million.[65] The Settlement Agreement is clear that the Settling Parties acceptance of the terms of the Settlement Agreement as a whole is without prejudice to the position of any Settling Party in a subsequent proceeding. The Settlement Agreement is also clear that it must be construed as a whole and is presented to the Commission for approval in its entirety or not at all.

DESC witness Kissam testified to the value of the Company's transmission investments made since 2011, including the Transmission Assets. The Transmission Assets allow DESC's transmission system to transfer power reliably to growing population areas. The topography of

[64] Hearing Exhibit No. 38, ¶ 17; Order Exhibit No. 1, ¶ 17.
[65] *See* Commission Order No. 2018-804(A), pp. 53, 57, 109, and 110.

South Carolina naturally creates the need to have strong structures and wires of sufficient capacity to span its unique landscape, endure its changing and, at times, violent weather patterns, and safely deliver a continuous flow of electrons when they are needed most. DESC witness Kissam testified that these investments in electric infrastructure are reasonable and prudent. (Kissam Settlement 5-6, 7, 9.)

Witness Kissam testified that the Transmission Assets help enable DESC to provide power to its customers even in inclement weather. (V. 11, p. 167). Moreover, according to witness Kissam, these Transmission Assets provide tangible benefits for the state of South Carolina by providing economic development opportunities, as well as opportunities regarding future population growth, new generation, and ensuring present resiliency and safety that is required and that DESC's customers expect. (V.11, p. 167).

Commission Finding

The most significant benefits provided by the Transmission Assets are reliability. The Transmission Assets help ensure that customers have access to electrical power when they need it most. They make the grid more resilient in the face of extreme weather like hurricanes and tornadoes, which South Carolina frequently experiences. The Transmission Assets also improve resiliency in the event of extraordinary events such as the 2014 Polar Vortex or the circumstances which led to the 2021 Texas blackouts.

Like DESC's other investments in its T&D system, the Transmission Assets provide important support for South Carolina's continuing economic development and ensure the supply of electrical power to some of the State's fastest growing regions so our State can continue to grow. The Transmission Assets have also helped to allow the integration of over 1,000 MW of solar power onto DESC's system, and the Commission finds that these assets will provide strong support

for continued development of renewable energy in South Carolina. Further, the evidence shows the Transmission Assets were planned and constructed in accordance with regulatory standards and done so on time and on budget. These Transmission Assets were constructed after rigorous planning to provide maximum long-term benefit to DESC's customers.

Finally, all Settling Parties to this proceeding have signed the Settlement Agreement, which includes these assets in rate base. For these reasons, we believe it is appropriate for the Company to include these assets in rate base.

After thorough consideration, extensive review of the record, and careful deliberation, we have determined that it is fair, just, and reasonable to permit the Company to include the Transmission Assets in rate base and provide DESC recovery of this investment as agreed to by the Settling Parties in the Settlement Agreement as part of a comprehensive agreement.

I. Canadys Units 2 and 3

DESC Position

In the Application, DESC requests that the Commission affirm the accounting treatment implemented pursuant to Order No. 2013-649 and affirm the Company's treatment of this unrecovered investment as a component of its rate base. (Coffer Direct, p. 28, ll. 11-14; Tr. V9-154.28). In November of 2013, Canadys Units 2 and 3 ("Canadys Units") were removed from service. (Coffer Rebuttal, p. 6, ll. 8-9; Tr. V9-162.6). In its application, the Company requested that the Commission affirm its treatment of including the unrecovered balance in rate base and amortizing the balance at the level of depreciation expense being recorded for the Canadys units prior to their retirement ($12.3 million per year). *Id.*

DoD-FEA Position

According to witness Mark Garrett, the Company is asking that the Commission affirm this amortization schedule and include the unrecovered balance in rate base. (M. Garrett Direct, p. 52, ll. 10-11). Witness Mark Garrett testified that the Canadys Units could be removed from rate base because they are no longer in service, consistent with decisions from other jurisdictions and given that the plants are no longer used and useful. Witness Garrett recommended that the Commission include the unrecovered Canadys plant in rate base and extend the recovery period to 40 years, which is the average useful life of a natural gas combined cycle proxy replacement plant. (M. Garrett Direct, p. 58, ll. 17-18; M. Garrett Surr. p. 19, ll. 17-18). Witness Garrett argued that the Company should be financially indifferent to the recovery period so long as the unrecovered balance is in rate base because the present value will be the same. (M. Garrett Surr. 20-21).

ORS Position

ORS witness Briseno testified that pursuant to Commission Order No. 2013-649, the carrying value of the Company's investment in the Canadys Units and related retirement costs have been placed into a regulatory asset that is being amortized at approximately $12,271,000 per year based on the depreciation expense level recorded prior to their retirement. ORS reviewed the unrecovered balances of these units and the costs associated with their removal from service. Based on its review, ORS accepted the accounting treatment implemented by the Company pursuant to Commission Order No. 2013-649 and accepts the Company's treatment of the unrecovered investment as a component of its rate base. (Briseno Direct 17).

Settlement Agreement

Through the Settlement Agreement, the parties agreed to accept the recommendation of ORS with respect to this adjustment.[66] The Settlement Agreement is clear that the Settling Parties acceptance of the terms of the Settlement Agreement as a whole is without prejudice to the position of any Settling Party in a subsequent proceeding.

Commission Finding

The Commission has carefully evaluated the evidence submitted in this case as to the amortization of the Canadys Units regulatory asset. The Commission concludes that it is just and reasonable and a fair balancing of the interests of the Company and its customers for the Company to continue the accounting treatment for the regulatory assets associated with the Canadys Units that DESC implemented pursuant to Order No. 2013-649 and to affirm treatment of this unrecovered investment as a component of rate base. This is also consistent with the agreement of the Settling Parties.

J. Turbine/Generator Major Maintenance Accrual

DESC Position

According to witness Griffin, to reflect current estimates of annualized turbine maintenance expense, the Company must adjust its major maintenance accrual by approximately $10.6 million. (Griffin Direct, p. 24, ll. 6-8; Tr. V6-281.25). The Company requested that the annual accrual be increased to $29,052,493 based on estimated costs going forward coupled with unrecovered costs. (Coffer Rebuttal, pp. 7, 8; Tr. V9-162.7─162.8). The Company also proposed including maintenance costs associated with the Columbia Energy Center in the accrual. (Coffer

[66] *See* Hearing Exhibit No. 38, ¶ 4; Order Exhibit No. 1, ¶ 4.

Rebuttal, p. 8, ll. 2-3; Tr. V9-162.8). The Company's proposal was based on the expenses reasonably expected to be incurred for turbine and generator maintenance at all of its major gas and coal-fired generating units over an eight-year maintenance cycle, as previously approved by this Commission, based on experience and existing contracts. *Id.* Company witness Kissam testified to the insufficiency of the current accrual and the operational reasons for the increase in the major maintenance accrual—namely the increased reliance on natural gas units as baseload units and the addition of the Columbia Energy Center. (Kissam Direct 64-65; Tr. V6-203.65─203.66).

DoD-FEA Position

DoD-FEA witness Mark Garrett disagreed with witness Kissam's assessment that the current accrual is insufficient to recovery the Company's projected under-recovery of turbine maintenance expenses of nearly $12 million. (Garrett Direct, p. 61, ll. 1-5). According to witness Garrett, the current accrual has actually decreased, which means the current annual accrual has been sufficient to cover annual maintenance expenses and help amortize the deferred balance. (Garrett Direct, p. 61, ll. 7-10). However, witness Garrett recognized that the Company has added the Columbia Energy Center to its generating fleet since the last rate case and recommended an annual increase in the major turbine maintenance expense of $5,607,568 to cover the added maintenance costs of the Columbia Energy Center of $4,604,500 and also provide an additional $1,001,068 for an 8-year amortization of the regulatory asset balance at December 31, 2019. (Garrett Direct, p. 61, ll. 14-16, p. 62, ll. 8-13).

ORS Position

ORS proposes to adjust on a retail basis other O&M expenses by $10,295,000, income taxes by ($2,569,000), and working capital by $1,287,000. ORS witness Briseno testified that ORS

verified the Company's calculations and accepts the Company's proposed adjustment to reflect projected cost over the next eight years. (Briseno Direct 10-11). ORS witness Bickley testified to ORS's review of DESC's maintenance and inspection costs and practices, the Company's Turbine Major Maintenance Accrual expenditure projections and forecasts for the Company's coal and natural gas units based on anticipated operations as well as past forecasts. (Bickley Direct 18-22). Witness Bickley testified that the addition of the Columbia Energy Center combined cycle fleet to the DESC fleet and its associated maintenance costs is a primary driver of the Company's request to increase its major maintenance accrual. (Bickley Direct 19-22).

Settlement Agreement and Testimony

DESC witness Kissam testified that during the pendency of settlement talks, DESC negotiated a favorable, long-term turbine maintenance contract with its vendor, reducing the annual turbine maintenance expense by $4.3 million on a total system basis, $4.17 million retail. (Kissam Settlement 3; *see* Order Exhibit No. 1, Attachment A at 4). The Settlement Agreement reduced the proposed increase to the Major Maintenance Accrual by $4.3 million and otherwise accepted the recommendation of ORS with respect to this adjustment.[67] The Settlement Agreement is clear that the Settling Parties' acceptance of the terms of the Settlement Agreement as a whole is without prejudice to the position of any Settling Party in a subsequent proceeding.

Commission Finding

The Commission has carefully evaluated the evidence submitted in this case as to the annual turbine major maintenance accrual. The Commission concludes that it is just and reasonable and a fair balancing of the interests of the Company and its customers to reduce the requested

[67] *See* Hearing Exhibit No. 38, ¶¶ 4, 26; Order Exhibit No. 1, ¶¶ 4, 26.

increase in the turbine major maintenance accrual by $4.3 million total system, not including fallout adjustments to income taxes and working capital. The retail adjustment after the reduction results in an adjustment of $6,125,000 to other O&M expenses, ($1,528,000) to income taxes and $766,000 to working capital. No party opposes this, and all Settling Parties support this as just and reasonable within the context of the Settlement Agreement.

K. Deferrals

DESC Position

The Company asserts that the amortization periods for deferrals proposed in its Application are appropriate because they align relatively closely to the time period over which the deferred costs accumulated. (Coffer Corrected Rebuttal, p. 13, ll. 1-3). Therefore, the Company requested that its proposed amortization periods be approved over those proposed by ORS and DoD-FEA. *Id.*

Also, regarding deferral amortization, the Company does not object to removal of these amortizations from the working capital calculation, but requests that the amortizations continue to be recorded to O&M as proposed by the Company. *Id.* According to witness Coffer, the Company's treatment is consistent with the guidelines of the FERC Uniform System of Accounts. *Id.*

Regarding the elimination of estimates from recovery of deferral balances, witness Coffer testified that the Company can reasonably estimate the balance of each of these accounts as of February 2021. (Coffer Corrected Rebuttal, p. 14, ll. 19-21, p. 15, l. 1; Tr. V9-162.14–162.15). However, Coffer testified if the Commission determines that the amortization amount should be based solely on actual account balances as of May 31, 2020, as proposed by ORS, the Company requests that the established amortization remain in effect until the entire account balance is

recovered, as indicated in Item 26 of its Application in this proceeding - not just the actual balance used in setting the amortization. (Coffer Corrected Rebuttal, p. 15, ll. 3-9; Tr. V9-162.15).

The Company also requests that the Commission affirm the Company's position that further quarterly status reports are no longer required for the Fukushima Nuclear Regulatory Commission Requirements Deferral and the VCS Cyber Security Deferral. (Coffer Corrected Direct, pp. 25-26).

DoD-FEA Position

DoD-FEA also recommends the amortization period for the Critical Infrastructure Cost Deferral be ten years. (Garrett Direct p. 59, line 14 – p. 60, line 4).

ORS Position

The ORS proposes extending the amortization periods of certain regulatory assets beyond the periods proposed by the Company. (Coffer Rebuttal, p. 11, ll. 6-8; Tr. V9-162.11). ORS witness Bickley recommended an amortization period of ten years versus the Company's proposal of five years for the Storm Remediation Cost Deferral (Adjustment #19), Critical Infrastructure Protection Costs Deferral (Adjustment #30), and VCS Cyber Security Deferral (Adjustment #32). (Bickley Direct p. 6, ll. 3-4; p. 26, ll. 1-2; p. 28, ll. 7-8). ORS recommended longer amortization periods to help provide rate relief in light of the difficult economic impact of COVID-19 on customers and because it aligns the amortization periods of these deferrals with the Fukushima NRC Requirements Deferral (Adjustment #31) (Bickley Direct p. 6, ll. 3-19; p. 26, ll. 2-14; p. 28, ll. 8-20). Further, amortization periods are reviewed during a general rate proceeding and can be adjusted by the Commission. (Bickley Surrebuttal p. 4, l. 22 – p. 5, l. 1). ORS's recommendation lowers the annual impact to customers by approximately 50% for each deferral thereby reducing the immediate financial impact to customers. (Bickley Surrebuttal p. 5, ll. 3-5). Additionally, ORS

agrees with the Company's request regarding further quarterly reporting on Adjustments #31 and #32. (Bickley Direct pp. 10, 27, and 28).

ORS witness Briseno recommends that the amortization of regulatory assets and liabilities be classified as depreciation and amortization expense and not O&M expense as proposed by the Company for several deferrals. (Briseno Direct, p. 7, ll. 20-22). Since working capital is calculated using O&M expenses as a base, including depreciation and amortization expenses in O&M inappropriately overstates working capital. (Briseno Direct p. 7, l. 22 – p. 8, l. 1). According to witness Briseno, ORS does not object to the Company's request to allocate certain portions of the deferrals into O&M for the purposes of FERC reporting, provided they are not included in the working capital calculation. (Briseno Surrebuttal p. 2, ll. 3-14).

For certain deferrals, the Company used both actual and estimated expenditures in their deferral adjustments. ORS also recommends that the estimates, used in the Company's deferral adjustments (as originally proposed) be excluded from the calculations of the deferral balances because they are not known and measurable. (Briseno Direct p. 3, ll. 6-8). The deferrals impacted by this recommendation are the Critical Infrastructure Protection Costs Deferral, VCS Cyber Security Deferral, and transmission costs deferral. (Briseno Direct p. 13, l. 10; p. 15, l. 12; Kollen Direct p. 21, ll. 1-13). ORS witnesses Briseno and Kollen recommend limiting the Company's proposed amortization adjustment for these three deferrals to the actual account balance of the deferral as of May 31, 2020, without considering projections. (Kollen Direct p. 21, ll. 1-13).

Regarding Company witness Coffer's request that the established deferral amortization remain in effect until the entire deferral account balance is recovered, ORS witness Briseno stated that ORS does not object to the Company's request provided that ORS is allowed the opportunity to review the additional deferred amounts incurred after May 31, 2020, in a subsequent general

rate case. (Briseno Surrebuttal p. 2, ll. 15-18). Additionally, ORS requests that the same treatment be afforded to the regulatory liabilities as the regulatory assets. (Briseno Surrebuttal, p. 2, ll. 19-21).

Settlement Agreement

The comprehensive Settlement Agreement into which all Settling Parties to this proceeding entered states in paragraph four that the parties agree to accept and adopt all recommendations, adjustments, and customer protections in the testimony and exhibits of ORS witnesses unless specifically modified by the Agreement.[68]

Commission Finding

The Settlement Agreement modifies none of the above described adjustments ORS proposed regarding deferrals, and they are accepted as part of the Settlement Agreement. The Commission finds the Settlement Agreement, including its treatment of the amortization periods for the Storm Remediation Cost Deferral (Adjustment #19), Critical Infrastructure Protection Costs Deferral (Adjustment #30), VCS Cyber Security Deferral (Adjustment #32), and the exclusion of estimates from the calculation of deferral balances to be just and reasonable. The Company is permitted to discontinue quarterly reporting for the Fukushima NRC Requirements Deferral and the VCS Cyber Security Deferral. Additionally, the Company is permitted to allocate portions of the deferrals into O&M for the purposes of FERC reporting, but the portions allocated may not be included in the working capital calculation. The established deferral amortization shall remain in effect until the entire deferral account balance is recovered, ORS will be allowed the opportunity to review the additional deferred amounts incurred after May 31, 2020, in a subsequent

[68] Hearing Exhibit No. 38, ¶ 4; Order Exhibit No. 1, ¶ 4.

general rate case, and the same treatment shall be afforded to the regulatory liabilities as the regulatory assets.

L. Vegetation Management Accrual

DESC Position

According to witnesses Kissam and Griffin, the Company proposes to establish a vegetation management accrual to predictably fund a multi-year vegetation management program. (Kissam Direct, p. 60, l. 1-3; Tr. V6-203.61; Griffin Direct p. 24, ll. 12-14; Tr. V6-281.25). Witness Kissam testified the accrual would levelize vegetation management expenses over an average five-year vegetation management cycle. (Kissam Direct, p. 60, ll. 3-4; Tr. V6-203.61). During the Test Year, the Company spent approximately $24.1 million on vegetation management and projects this amount to increase by $3.5 million on average over the next five years, resulting in a vegetation management expense of approximately $27.6 million to be reflected in rates. (Kissam Direct, p. 60, ll. 14-19; Tr. V6-203.61; Griffin Direct, p. 23, l. 18 to p. 24, l. 4; Tr. V6-281.24─281.25).

According to witness Coffer, the approach suggested by ORS creates a disparity between its proposed pro forma adjustment and the costs the accrual is intended to cover, while at the same time eliminating the costs associated with this work from non-accrual expenses. (Coffer Rebuttal, p. 16, ll. 17-20; Tr. V9-162.16). Witness Coffer testified that the Company's pro forma adjustment accurately captures the purpose of the accrual to fund preventative and predictable vegetation management and cycle cutting that is separate from the costs of hourly work to respond to unplanned vegetation management needs causing a threat to the system. (Coffer Rebuttal, p. 17, ll. 1-5; Tr. V9-162.17).

DoD-FEA Position

DoD-FEA witness Mark Garrett disagreed with establishing a vegetation management accrual and increasing vegetation management expenses because tracking mechanisms shift the risks of operating the utility from the Company to the customers and tend to weaken management's incentive to control costs. (Garrett Direct, p. 48, ll. 11-13, p. 49, ll. 1-3). Witness Mark Garrett testified that the Test Year vegetation management expenses of $24.9 million represents a $5.9 million increase over the prior year actual cost, and $3.7 million over the 5-year average, and the Company's adjustment to increase the expense above the Test Year cost level is unnecessary. (Garrett Direct, p. 49, ll. 7-11). Witness Mark Garrett recommended that the requested vegetation management expenses be reduced by $3,519,375 to reverse the proposed increase by DESC. (Garrett Direct, p. 49, ll. 20-21).

ORS Position

ORS witness Bickley testified that ORS did not oppose creation of a vegetation management accrual provided certain customer protection and reporting requirements were included to ensure the funds are used effectively and for vegetation management. (Bickley Direct 17-19). ORS witness Briseno testified that ORS accepted the Company's updated vegetation management adjustment after reviewing DESC witness Coffer's rebuttal testimony and conducting additional discovery, concluding that the Company correctly recorded hourly, unplanned vegetation management work separately from the planned cyclical work covered by the vegetation management accrual. The retail adjustment recommended by ORS, as provided by the Company in response to ORS Request 8-6, adjusts other O&M expenses by $3,786,000, income taxes by ($944,000), and working capital by $473,000. (Briseno Surr. 3).

Settlement Agreement and Testimony

The Settlement Agreement, into which all Settling Parties to this proceeding entered, states in paragraph four that the parties agree to accept and adopt all recommendations, adjustments, and customer protections in the testimony and exhibits of ORS witnesses unless specifically modified by the Settlement Agreement.[69] As a result, the Settlement Agreement incorporates ORS's recommended reporting and customer protection requirements for the accrual.[70]

According to witness Briseno, through discovery ORS requested that the Company quantify the hourly work attributable to tree trimming and vegetation management for the five years preceding 2019, and based upon the Company's response ORS concluded that the level of hourly work in the 2019 Test Year was reasonable. (Briseno Surrebuttal, p. 3, ll. 6-9). Accordingly, ORS accepted the Company's updated retail adjustment which resulted in adjustments to other O&M expenses by $3,786,000, income taxes by ($944,000), and working capital by $473,000. (Briseno Surrebuttal, p. 3, ll. 11-14).

DESC witness Kissam testified that the Settlement Agreement allows the Company to create a dedicated vegetation management accrual account. By allowing unspent amounts to be carried forward when contractor unavailability, storm response pressures, floods or other factors require work to shift from one year to the next, the account will allow the Company to maintain a consistent, disciplined approach to vegetation management annually. This consistency is key to safety, reliability, resiliency, and rapid storm recovery and is more efficient and cost effective for customers. (Kissam Settlement 2; *see also* Hearing Exhibit No. 38, ¶ 4 and Order Exhibit No. 1, ¶ 4).

[69] Hearing Exhibit No. 38, ¶ 4; Order Exhibit No. 1, ¶ 4.
[70] *Id.*

Commission Finding

The Commission has carefully evaluated the evidence submitted in this case as to the creation of a dedicated vegetation management accrual. The Commission concludes that it is just and reasonable and a fair balancing of the interests of the Company and its customers to allow the Company to establish such an accrual subject to the reporting and customer protection requirements outlined by ORS. Additionally, it is appropriate to adjust other O&M expenses by $3,786,000, income taxes by ($944,000), and working capital by $473,000. No party opposes this, and all Settling Parties support this as just and reasonable within the context of the Settlement Agreement.

M. Coal-Fired Generation Station

DESC Position

Since the Company's last rate case, it invested approximately $878 million in its generating system, including approximately $411 million in capital expenditures on the Wateree, Williams, and Cope coal plants. (Kissam Direct, p. 12; Tr. V6-203.13; Stanton Direct 6). DESC witness Neely testified that the Wateree, Williams, and Cope plants are economical to operate and currently have value that exceeds their operating costs. Witness Neely testified in rebuttal to Sierra Club witness Stanton that the value of these plants cannot be calculated solely based on marginal costs because DESC does not participate in an organized competitive power market to provide capacity and energy markets to measure plants against. (Neely Rebuttal 2, 8). DESC witness Spanos testified that the most likely alternative to these capital investments would be to build new generation at a much higher cost. (Spanos Rebuttal 48; *see also* Delk Rebuttal 15-17; Kissam Rebuttal, pp. 5-6; Tr. V6-213.5─213.6). DESC witness Delk testified that Williams, Wateree, and Cope have consistently achieved high availability factors and low forced outage rates, and without

the units, the Company does not have sufficient generation resources to meet peak customer demands. (Delk Rebuttal 4).

Sierra Club Position

Sierra Club witness Stanton recommended that the Commission disallow $246 million for non-environmental expenditures and $165 million for environmental expenditures for capital projects on the Wateree, Williams, and Cope coal plants between 2012 and 2019 incurred to keep these plants running in future years. (Stanton Direct 4, 38). These investments have been uneconomic based on the cost of generation relative to the revenues from power produced. (Stanton Direct 15, 18). DESC's assertion that Williams, Wateree, and Cope are peaker units was not discussed in the Company's 2020 IRP, and the Company has not provided the analysis or data necessary to show the plants are economic or appropriate in a least-cost portfolio. (Stanton Surr. 10). Witness Stanton recommended that the Commission cap future capital expenditures to prolong the lives of these units, at least until DESC studies whether continuing to operate these units is the least-cost alternative compared to other resource options. (Stanton Direct 38).

Settlement Agreement and Testimony

Under the Settlement Agreement, the Company will file public quarterly reports on the capital expenditures at Wateree, Williams and Cope until the new Commission-ordered coal retirement studies are complete.[71] Sierra Club witness Harlan testified that the quarterly reporting mechanism in the Settlement Agreement will ensure that the public, parties, and Commission are kept apprised of ongoing investments in these coal units and recommends approval of the

[71] Hearing Exhibit No. 38, ¶ 24; Order Exhibit No. 1, ¶ 24.

Settlement Agreement as a reasonable resolution of the issues raised by Sierra Club. (Harlan Settlement 3-4).

Commission Finding

The comprehensive Settlement Agreement, into which all Settling Parties to this proceeding entered and support, provides for quarterly capital expenditure reporting on Wateree, Williams and Cope and provides that recovery of the investments at-issue in these plants is fair, just, and reasonable. No Party opposes the Settlement Agreement. The Commission finds the Settlement Agreement, including its reporting requirements and its ratemaking treatment of the Wateree, Williams, and Cope capital investments, to be just and reasonable.

N. Depreciation Rates

DESC Position

Witness Spanos conducted a depreciation study estimating service life and net salvage values that included a description of the results of his analysis and a summary of his depreciation calculations; including graphs and tables that relate to the service life and net salvage analyses and the detailed depreciation calculations by account. (Spanos Direct, p. 6; Tr. V9-95.6). Witness Spanos used the straight-line remaining life method of depreciation with the average service life procedure for all plant assets, with the exception of some general plant accounts. (Spanos Direct, p. 7; Tr. V9-95.7). Witness Spanos used Iowa Type Survivor Curves to estimate the service life characteristics of each property group to smooth and extrapolate original survivor curves determined by the retirement rate method to describe the forecasted rates of retirement based on the observed rates of retirement and the outlook for future retirements. (Spanos Direct, p. 10; Tr. V9-95.10).

DESC witness Spanos testified that the approach ORS Witness David Garrett used to develop his estimates for mass property accounts is based primarily on mathematical curve fitting. (Spanos Rebuttal p. 6, ll. 8-10). This approach does not give the appropriate consideration to the mortality characteristics of the assets studied or to other factors that should be considered to determine the most appropriate life cycle of an asset class. (Spanos Rebuttal p. 6; Tr. V9-106.6). Additionally, ORS Witness David Garrett's statistical analysis has not properly incorporated relevant historical and future information that is necessary and required to estimate correctly and accurately life cycles which, witness Spanos testified, has been incorporated to support and confirm his estimates. (Spanos Rebuttal pp. 6, 7; Tr. V9-106.6─106.7).

Regarding the net salvage value of DESC assets, DESC witness Spanos disagreed with ORS Witness David Garrett's testimony that Garrett had provided a more precise calculation of terminal net salvage. (Spanos Rebuttal p. 45; Tr. V9-106.45). Witness Spanos asserted that witness David Garrett's 5% terminal net salvage percentage for all facilities was random and does not escalate to the date of retirement which is necessary to be consistent with the concept of net salvage emphasized by authoritative texts. *Id.* Additionally, Spanos testified that David Garrett's segregation of the assets between interim and terminal is not consistent with the assets that will be retired based on the current vintages of assets using the survivor curve. *Id.* Rather than use witness David Garrett's proposed methodology, because the decommissioning costs for each facility have not been studied and therefore the amounts were too uncertain in the absence of a decommissioning study to be included in this case, witness Spanos recommended maintaining the same methodology previously used for calculating terminal net salvage. (Spanos Rebuttal p. 46; Tr. V9-106.46).

ORS Position

ORS witness David Garrett's depreciation adjustments are driven by two primary factors: (1) adjusting the weighting of interim retirements and terminal net salvage rate for the Company's production plant accounts ($12.8 million); and (2) adjusting the service lives for several of the Company's transmission and distribution accounts ($7.4 million). (D. Garrett Direct pp. 6-7).

In the Company's depreciation study, DESC witness Spanos applied interim net salvage rates to the entire amount of projected retirements for production plant assets, rather than weighting the retirements between interim and terminal requirements and applying separate net salvage rates to each category, which is a more accurate approach. (D. Garrett Direct p. 7, ll. 3-6). By failing to divide interim and terminal retirements, Mr. Spanos effectively applies the interim net salvage rates to terminal retirement amounts. (D. Garrett Direct p. 7, ll. 6-7). Moreover, the Company has not supported any terminal net salvage of its production plants with site-specific dismantlement studies. (D. Garrett Direct p. 7, ll. 8-10, p. 37, ll. 1-3). By not providing decommissioning studies, the Company did not adequately support its terminal net salvage rates. (D. Garrett Surrebuttal p.7, l. 20 – p. 8, l. 1). However, rather than completely disallowing recovery of terminal retirements, ORS witness David Garrett recommends that the Commission approve a terminal net salvage rate of -5% as a reasonable and conservative estimate for each of the Company's production units. (D. Garrett Direct p. 38, ll. 5-9). Dismantlement studies in a future rate case may reveal lower or higher terminal net salvage rates, and the rates can be adjusted accordingly at that time. (D. Garrett Direct p. 38, ll. 9-10; D. Garrett Surrebuttal p. 8, ll. 3-5).

Regarding the Company's mass property accounts, a statistical analysis of the Company's historical retirement data shows that witness Spanos has underestimated the remaining service lives (thus overestimating the depreciation rates) of several of the Company's transmission and

distribution accounts. (D. Garrett Direct p. 7, ll. 10-13). The Company has the burden of making a convincing showing that its proposed depreciation rates are not excessive, and ORS witness David Garrett testified the Company failed to meet this burden regarding the depreciation parameters and accounts discussed in his testimony. (D. Garrett Direct p. 9, ll. 18-19; p. 15, l. 17 – p. 17, l. 11). ORS witness David Garrett disagreed with witness Spanos' assertion that Garrett's service life estimates are based solely on mathematical curve fitting. (D. Garrett Surrebuttal p. 3, ll. 5-6). While David Garrett relies more on mathematical results than Spanos, Garrett testified his opinions constitute a more reasonable balancing of mathematical fit, visual curve fitting, and professional judgment. (D. Garrett Surrebuttal p. 6, ll. 11-14).

Settlement Agreement

The comprehensive Settlement Agreement, into which all Settling Parties to this proceeding entered, states in paragraph four that the parties agree to accept and adopt all recommendations, adjustments, and customer protections in the testimony and exhibits of ORS witnesses unless specifically modified by the Agreement.[72]

Commission Finding

The Settlement Agreement modifies none of the above described adjustments ORS proposed regarding depreciation. Therefore, they are accepted as part of the Agreement. The Commission finds the Settlement Agreement, including its treatment of depreciation to be just and reasonable. No party opposes this, and all Settling Parties support this as just and reasonable within the context of the Settlement Agreement.

[72] Hearing Exhibit No. 38, ¶ 4; Order Exhibit No. 1, ¶ 4.

O. Dominion Energy Services Expenses and Synergy Savings

DESC Position

Through discovery, the Company updated its adjustment for Dominion Energy Services Expense and Synergy Savings.

ORS Position

For Dominion Energy Services expenses, the Company updated its originally proposed retail adjustment to adjust other O&M expense by $8,092,000, income taxes by ($2,019,000), and working capital by $1,012,000. The Company's updated adjustment accounted for the removal of costs that should have not been included in the original adjustment in the Application. (Kleckley Direct p. 13, ll. 9-15). ORS proposed to adjust retail other O&M expense by $8,080,000, income taxes by ($2,016,000), and working capital by $1,010,000. (Kleckley Direct p. 13, ll. 15-16). The difference between the Company's updated adjustment and ORS's adjustment amounts is due to additional costs removed by ORS for non-recurring charges and not representative of the Company's expected operating experience going forward. (Kleckley Direct p. 13, l. 22 – p. 14, l. 2).

For Synergy Savings, the Company updated its originally proposed adjustment to adjust retail other O&M expense by ($823,000), income taxes by $205,000, and working capital by ($103,000). (Kleckley Direct p. 14, ll. 4-9). The non-labor cost savings consist of aviation, information technology contracts and subscriptions expenses. (Kleckley Direct p. 14, ll. 9-10). The difference between the updated adjustment figures and the original adjustment figures in the Application are due to an update which was made to reflect the actual allocated aviation expenses to DESC in the Test Year. (Kleckley Direct p. 14, ll. 11-13). ORS verified and accepts the Company's updated adjustment. (Kleckley Direct p. 14, ll. 12-13).

Settlement Agreement

The Settlement Agreement, into which all Settling Parties to this proceeding entered, states in paragraph four that the parties agree to accept and adopt all recommendations, adjustments, and customer protections in the testimony and exhibits of ORS witnesses unless specifically modified by the Agreement.[73]

Commission Finding

ORS's adjustment to Dominion Energy Services expenses and the Company's updated adjustment for Synergy Savings are accepted as part of the Agreement.[74] The Company has not contested ORS's proposed adjustment to Dominion Energy Services Expense. The Commission finds the Settlement Agreement, including its treatment of these issues, to be just and reasonable.

P. Cost of Service Study

DESC Position

Witness Kochems testified that the cost of service study used in preparing the rates in this proceeding follows principles and methodologies that have been accepted by this Commission as appropriate for setting the Company's rates for at least the past 38 years. (Kochems Direct, p. 12; Tr. V9-214.12). According to witness Kochems, the cost of service study proposed by DESC provides a proper foundation for distributing costs among classes because it recognizes cost causation and distributes costs accordingly, provides a proper basis for determining cost-based rates and is a major component of fair and equitable rate design, provides a reasonably accurate measure of profitability among classes of customers, and is fully consistent with past precedent

[73] Hearing Exhibit No. 38, ¶ 4; Order Exhibit No. 1, ¶ 4.
[74] *See* Hearing Exhibit No. 38, ¶ 4; Order Exhibit No.1, ¶ 4.

and practice of the Commission in setting rates for the Company. (Kochems Direct, p. 20; Tr. V9-214.20).

DCA Position

DCA witness Dismukes recommended the Commission require the Company gather monthly system coincident peak information on a class basis in the future, and that the Commission require the Company to file an alternative Cost of Service Study ("COSS") allocating demand-related electric transmission plant on the basis of the results of a 12 month average of each customer class' contribution to the Company's system monthly coincident peaks ("12-CP") in its next base rate filing. (Dismukes Direct, p. 4, ll. 7-12). Witness Dismukes testified that that medium and large general service customers are currently earning less than the system average rate of return and accordingly he assigned a revenue increase to these two classes equal to 1.15 times the overall system average increase of 8.29%, or 9.51%. (Dismukes Direct, p. 4, ll. 22-23, p. 5. l. 1-3). Next witness Dismukes proposes allocating the remaining required revenue increase equally to all other customer classes, thereby reducing the proposed revenue increase to the residential service class from the Company's proposed $83.2 million to $78.1 million, or by approximately $5.0 million. (Dismukes Direct, p. 5, ll. 3-7).

ORS Position

ORS concluded that, for the purposes of this Application, the methodology applied in constructing the Company's COSS is reasonable. The methodology provides a reasonable assessment and allocation of the Company's revenues, operating expenses, and rate base items, which produces a rate of return by customer class. (Seaman-Huynh Revised Direct p. 5, ll. 10-12). Prior to the Settlement Agreement, ORS witness Seaman-Huynh testified that a COSS discussion with stakeholders has benefits and recommended that the Company conduct a thorough evaluation

of cost allocation methodology and receive input from interested stakeholders prior to its next general rate proceeding. (*See* Seaman-Huynh Revised Surrebuttal p. 2, ll. 18-21).

SCEUC Position

Witness O'Donnell testified that South Carolina has a long-established precedent of allocating generation costs using the coincident peak (CP) methodology, which is a method whereby the generation assets are allocated based on the ratio of the customer class demand at the time of the summer peak. (O'Donnell Direct, p. 3, ll. 23-26). Witness O'Donnell supports such cost allocation as it sends the proper pricing signal to large customers. (O'Donnell Direct, p. 3, ll. 26-27).

Settlement Agreement

According to the Settlement Agreement the parties agree to accept and adopt all recommendations, adjustments, and customer protections in the testimony and exhibits of ORS witnesses unless specifically modified by the Agreement.[75]

Commission Finding

A cost of service study determines the Company's costs of serving various classes of customers (i.e., residential, small general service, medium general service, large general service, and lighting). (Kochems Direct, p. 12, ll.7-9; Tr. V9-214.12). A key principle in regulation of utility rates is that the rates for individual classes of customers should reasonably reflect the cost of serving customers in that class. *Id.* Accordingly, the principle underlying the allocations of plant investment and expenses in a cost of service study is cost causation. *Id*

[75] Hearing Exhibit No. 38, ¶ 4; Order Exhibit No. 1, ¶ 4.

The Commission concludes that it is reasonable and a fair balancing of the interests of the Company and its customers to approve the Company's proposed cost of service study as part of the Settlement Agreement. No party opposes this, and all Settling Parties support this as reasonable within the context of the Settlement Agreement.

Q. Rate Design

AARP Position

Witness Rubin testified to the structure and design of the Company's residential rates. (Rubin Direct p. 4, ll. 9-10). Witness Rubin provided several recommendations, including that the BFC for Rate 8 should remain at its current level of $9.00 per month and the BFC for Rate 2 (low-use customers) should be reduced to $6.50 per month. (Rubin Direct p. 4, l. 12 – p. 5, l. 3). Rate 8 is the main residential rate schedule which consists of a BFC, a rate for the first 800 kWh per month, and a different rate for usage in excess of 800 kWh per month. (Rubin Direct p. 5, ll. 10-12). Witness Rubin testified that some of costs included in the Company's cost-of-service study as "customer related" such as Company overhead should not be collected through the BFC. (Rubin Direct p. 8, ll. 1-7).

DCA Position

The DCA, through witness Dismukes, also opposed the Company's proposed BFC increase because it disincentives energy conservation measures and shifts the rate burden within a customer class to lower-use customers. (Dismukes Direct pp. 36-40).

DESC Position

According to witness Rooks, DESC's objective in rate design is to provide electric service to customers at fair prices while earning an adequate return for investors. (Rooks Direct, p. 4, ll. 4-5). Witness Rooks testified that DESC reviewed those objectives against its existing rates and

determined that the existing rate structure does not require any modification (Rooks Direct, p. 4, ll. 18-20).

Witness Rooks also testified to the increase the Company's requests to BFC. DESC proposes to make changes to the BFC for its Residential, Small General Service, Medium General Service, and Large General Service customers. (Rooks Direct p. 6, ll. 18-19). According to witness Rooks, the actual per account costs total $19.49 per month, but DESC is only seeking to raise its residential electric BFC's by $2.50 per month to $11.50 total. (Rooks Direct, p. 7, ll. 12-15).

DoD-FEA Position

Witness Mark Garrett testified regarding DESC's proposal to use an 85% power factor (M. Garrett Direct p. 7, ll. 2-4). According to witness Mark Garrett, the standard application of the power factor correction has the effect of increasing the billing demand for a customer by 1% for each 1% the power factor is less than the stated threshold. (M. Garrett Direct p. 71, ll. 8-10). According to witness Mark Garrett, the Company's power factor correction threshold is set too low. (M. Garrett Direct, p. 72, ll. 18-22).

Regarding Rate 23, witness Mark Garrett testified that Rate 23 is available to any customer classified in the major industrial group of manufacturing with 10-14 or 20-39 as the first two digits of the Standard Industrial Classification ("SIC"), or 21 or 31-33 as the first two digits of the six digit North American Industry Classification System ("NAIC") using the Company's standard service for power and light requirements and having a contract demand of 1,000 kW or over. (M. Garrett Direct p. 77, ll. 10-15). Witness Mark Garrett testified that he believes the Rate 23 Availability Clause is subjective and unduly discriminatory. (Garrett Direct p. 78, l. 20). Witness Mark Garrett recommended that the Commission require DESC to revise the availability provision

of Rate 23 to read, "This rate is available to any customer using the Company's standard service for power and light requirements having a contract demand of 1,000 kW or over and an average annual load factor of 60% or higher based on On-Peak CP demand . . . This rate is not available for resale service." (M. Garrett Direct p. 79, l. 26 - p. 80, l. 3). According to witness Mark Garrett, revising the availability provision in this manner allows weather sensitive customers with sufficiently high load factors to take advantage of this rate. (M. Garrett Direct p. 80, ll. 3-5).

ORS Position

ORS presented testimony on the returns by class in Table 2 of witness Seaman-Huynh's direct testimony. Witness Seaman-Huynh testified that the Company's rate design methodology is the same methodology used by the Company in previous general rate cases. Seaman-Huynh Revised Direct p. 9, ll. 8-9. ORS did not object to the Company's proposal to increase the residential BFC from $9.00 per month $11.50 per month for its residential rate schedules. (Seaman-Huynh Revised Direct p. 10, ll. 14-15). ORS also reviewed the Company's proposed updates to its Demand Side Management ("DSM") rider and did not object to the Company's request to update its DSM rates. (Seaman-Huynh Revised Direct p. 11, ll. 2-5). In addition, ORS did not object to DESC's request to end the Rate 21A Experimental Program – General Service Time-of-Use-Demand and recommended that the Company work with the affected customers to transition them to the most economical and appropriate rates schedule and to a two-year phase in transition period for these customers. (Seaman-Huynh Revised Direct p. 12, ll. 1-10).

Settlement Agreement and Testimony

According to the Settlement Agreement, the Settling Parties agreed that the monthly Basic Facility Charge for residential customers under Rate 8 will increase to $9.50, the Basic Facilities Charge for the remaining residential customer classifications will remain unchanged, and the remaining revenue requirement will be collected by increasing the per kWh volumetric rates.[76] Witness Myers testified that the Settlement provides that the fixed part of a residential electric bill will only increase 50 cents, from $9.00 to $9.50 per month. (Myers Settlement Testimony, p. 3, ll. 19-20). Moreover, witness Myers testified that AARP is pleased that this fixed customer charge would be kept under $10.00, since it is an unavoidable fee and cannot be a reduced through energy conservation. (Myers Settlement Testimony, p. 3, ll. 20-21, p. 4, l. 1). According to witness Myers, AARP has fought against increasing such charges around the country and AARP's members have a strong preference for the bulk of any rate increase be applied to the usage part of their electric bill (over which they have some control). (Myers Settlement Testimony, p. 4, ll. 3-6).

Commission Finding

The comprehensive Settlement Agreement into which all Settling Parties to this proceeding entered contains various provisions regarding rate design, including that the monthly BFC for residential customers under Rate 8 will increase to $9.50 and remain unchanged for other residential customer classifications, a Rate Design that is summarized in Attachment B to the Settlement Agreement, an allocation among rates and customer classes as shown in Attachment D, and changes to Rate 23. The Commission concludes that it is reasonable and a fair balancing of the interests of the Company and its customers to approve the Rate Design as part of the Settlement

[76] Hearing Exhibit No. 38, ¶ 8; Order Exhibit No. 1, ⁋ 8.

Agreement. No party opposes this, and all Settling Parties support this as reasonable within the context of the Settlement Agreement.

R. Remove Certain Other Expenses

During the course of this proceeding, the Company provided an update to include an adjustment to remove certain non-allowable expenses that should be excluded from calculating rates to be charged to customers ("Adjustment #42"). (Sullivan Direct p. 15, ll. 12-14). The Company's updated adjustment proposed to adjust retail other O&M expenses by ($493,000), taxes other than income by ($54,000), income taxes by $136,000, construction work in progress by ($1,022,000), and working capital by ($62,000). (Sullivan Direct p. 15, ll. 15-18).

ORS proposes to adjust other O&M expenses by ($570,000), taxes other than income by ($59,000), income taxes by $157,000, construction work in progress by ($1,022,000), and working capital by ($71,000). ORS's adjustment correctly removed lobbying expenses identified by the Company. (Sullivan Direct p. 16, ll. 12-14). The Company did not contest ORS's proposed adjustment.

The Comprehensive Settlement Agreement adjustment also reduces 2019 test year other O&M expenses by an additional $766,000 related to certain V.C. Summer Units 2 and 3 metered accounts being transferred to Santee Cooper. (Hearing Exhibit No. 38, ¶ 25; Order Exhibit No. 1, ¶ 25). As a result, the Comprehensive Settlement Agreement adjustment to remove certain non-allowable expenses adjusts retail other O&M expenses by ($1,336,000), taxes other than income by ($59,000), income taxes by $348,000, construction work in progress by ($1,022,000), and working capital by ($167,000). ORS's Adjustment #42 was accepted as part of the Agreement. The Commission finds the Settlement Agreement, including its treatment of Adjustment #42, to be just and reasonable.

S. VCS Outage Accrual

ORS does not object to the Company's proposal to extend the VCS Outage Accrual for another five outage cycle that would include refueling outages twenty-six through thirty and the Company's proposal for the new accrual amount to include the under-collected balance of $3,156,176, along with the estimated costs of refueling outages twenty-six through thirty of $126,247,392 with the exception of contingency costs. (Bickley Direct p. 24, l. 21 – p. 25, l. 3). ORS recommends removal of the contingency costs identified by DESC totaling $5,000,000 ($1,000,000 per outage) as shown in the Direct Testimony of ORS witness Briseno, as the Company does not provide support or justification for the contingency costs. (Bickley Direct p. 25, ll. 4-6). The contingency costs are based on events that may or may not occur and are not, therefore, "known and measurable." (Bickley Direct p. 25, ll. 7-8).

The Company did not oppose ORS's recommendation to remove contingency costs.

Settlement Agreement

The comprehensive Settlement Agreement, into which all Settling Parties to this proceeding entered, states in paragraph four that the parties agree to accept and adopt all recommendations, adjustments, and customer protections in the testimony and exhibits of ORS witnesses unless specifically modified by the Agreement.[77]

Commission Finding

The Commission finds the Settlement Agreement, including its treatment of the VCS Outage Accrual, to be just and reasonable. Under the terms of the Settlement Agreement, the Company will be allowed to extend the VCS Outage Accrual for another five outage cycle that

[77] Hearing Exhibit No. 38, ¶ 4; Order Exhibit 1, ¶ 4.

would include refueling outages twenty-six through thirty and the Company's proposal for the new accrual amount to include the under-collected balance of $3,156,176, along with the estimated costs of refueling outages twenty-six through thirty of $126,247,392 with the exception of contingency costs. The $5,000,000 in contingency costs will be removed.

T. Uncontested, Fallout, and Other Adjustments

The Commission finds the following uncontested adjustments updated to account for the Settlement Agreement to be just and reasonable. The below adjustments are, therefore, approved in accordance with the terms of the Settlement Agreement:

1. Remove Employee Clubs (#4)
2. Annualize Depreciation Current Rates (#5)
3. Annualize Insurance Expense (#8):
4. Remove Amounts Associated with DSM (#10):
5. Annualize Other Post-Employment Benefits (#11)
6. Adjust Fuel Inventory (#12)
7. Normalize Test Year Purchase Power from GENCO (#14)
8. Voluntary Retirement Program (#16) Adjust Test Year Taxes (#25):
9. Tax Reform Refund (#26):
10. Amortize Capacity Purchases (#27)
11. Environmental Compliance Study (#28):
12. Kapstone Gain (#29):
13. Facility Charge (#33):
14. Amortization of Columbia & Charleston Franchise Agreements (#34):
15. Unrecovered Plant Amortization (#35):

16. Local Business Offices (#37)

17. PSC Support Fees (#39)

18. Projected Capital Spend (#40)

19. Tax Effect of Annualized Interest (#41):

20. Customer Growth Factor (#43):

Additionally, the Commission finds that Adjustment 13 (Remove SRS Refund Reversal Impact from Revenue) is just and reasonable. (Bickley Direct 3-5). The effect of this adjustment decreases Test Year revenue by $900,259 on a total system basis and $870,000 retail. *Id.*

For any adjustments not otherwise specifically addressed in this Order, the Commission finds it is fair, just and reasonable to adopt the adjustments contemplated in the Settlement Agreement and its attachments.

VI. FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. The terms of the Settlement Agreement are just reasonable and in the public interest and the Settlement Agreement is approved in its entirety.

2. Granting DESC the opportunity to earn a 9.50% ROE is just and reasonable with a cost of debt of 5.56% and a capital structure consisting of 51.62% equity and 48.38% debt. All of these figures are supported by the reliable, probative, and substantial evidence on the whole record and are in the public interest.

3. For the reasons discussed herein, the Commission finds the revenues detailed in Order Exhibit No. 1, Settlement Agreement Attachment A, are just and reasonable and based upon credible evidence on the whole record and in the public interest.

4. The Commission finds that the adjustments as discussed and listed previously in this Order and those detailed in Order Exhibit No. 1, Settlement Agreement Attachment A, are just and reasonable and based upon credible evidence on the whole record and in the public interest.

5. The proposed accounting and pro forma adjustments appended to Order Exhibit No. 1, Settlement Agreement Attachment A, are just and reasonable and based upon credible evidence on the whole record and in the public interest.

6. A base revenue increase of approximately $61.6 million on an adjusted test-year basis is just and reasonable and based upon credible evidence on the whole record and in the public interest.

7. It is just and reasonable and based upon credible evidence on the whole record and in the public interest for DESC to return to customers the Unprotected Property related EDIT via a Decrement Rider beginning with all bills rendered on or after September 1, 2021, and concluding when the total balance of the Unprotected Property related EDIT, which will equal approximately $99.5 million as of September 1, 2021 (grossed up for taxes), is depleted. It is just and reasonable and based upon credible evidence on the whole record and in the public interest for to base the Decrement Rider on Test Year retail energy usage; for the Decrement Rider to appear as a separate line item on customer bills rendered monthly; to calculate the Decrement Rider to effectively limit the overall rate impact on customers, until the EDIT is exhausted, to a net annual increase of approximately $35.6 million; and for DESC to continue to return the Unprotected Property related EDIT via the Decrement Rider in the manner described above until the full balance of Unprotected Property related EDIT of $99.5 million is depleted regardless of any change to the federal tax rate that may occur in the future or any general rate proceeding filed by DESC.

8. The overall impact on customers of the rates and charges ordered herein is a reduction from the Company's Application of approximately $142.4 million or 80%.

9. It is just and reasonable and based upon credible evidence on the whole record and in the public interest for the monthly Basic Facility Charge for residential customers under Rate 8 to increase from $9.00 to $9.50, for the Basic Facilities Charge for the remaining residential customer classifications to remain unchanged, and for the remaining revenue requirement to be collected by increasing the per kWh volumetric rates.

10. It is just and reasonable and based upon credible evidence on the whole record and in the public interest to adopt the Rate Design summarized in Order Exhibit No. 1, Settlement Agreement Attachment B and to allocate EDIT among customer classes as set forth in Order Exhibit No. 1, Settlement Agreement Attachment C. It is just and reasonable and based upon credible evidence on the whole record and in the public interest to adopt the customer class allocations reflected in Order Exhibit No. 1, Settlement Agreement Attachment D, which reduce interclass rate subsidies.

11. The Company's rates resulting from the Settlement Agreement are designed to recover the revenue requirement in an equitable and reasonable manner and are just and reasonable based upon credible evidence on the whole record and in the public interest.

12. All proposals and recommendations set forth in Order Exhibit No. 1, Settlement Agreement Attachments A, B, C, and D, are just and reasonable and based upon credible evidence on the whole record and in the public interest.

13. It is just and reasonable based upon credible evidence on the whole record and in the public interest for DESC to conduct a lead-lag study to calculate working capital for use in its next electric general rate proceeding.

14. It is just and reasonable based upon credible evidence on the whole record and in the public interest to eliminate earnings-based incentive compensation from recovery in this rate proceeding.

15. It is just and reasonable based upon credible evidence on the whole record and in the public interest for DESC to provide a cost benefit analysis to include an economic justification for any future grid investment plan cost recovery in a future general rate proceeding.

16. It is just and reasonable based upon credible evidence on the whole record and in the public interest to amend the language of DESC's Rate 23 tariff as provided in Order Exhibit No. 1, Settlement Agreement paragraph 18.

17. It is just and reasonable based upon credible evidence on the whole record and in the public interest for DESC to withdraw its request for the implementation of a Storm Damage Reserve Rider from consideration in this proceeding and to continue to allow DESC to defer incremental storm expenses exceeding $2.5 million per year.

18. It is just and reasonable based upon credible evidence on the whole record and in the public interest for DESC to file public quarterly reports on the capital expenditures at the Company's three coal plants: Wateree, Williams, and Cope until the new Commission-ordered coal retirement studies are complete.

19. It is just and reasonable based upon credible evidence on the whole record and in the public interest to reduce DESC's Test Year expenses by $766,000 related to certain V.C. Summer Units 2 and 3 metered accounts being transferred to Santee Cooper.

20. It is just and reasonable based upon credible evidence on the whole record and in the public interest to reduce the proposed increase to the Major Maintenance Accrual by $4.3

million related to recent reductions to turbine maintenance contracts at Jasper Station and Columbia Energy Center.

21. It is just and reasonable based upon credible evidence on the whole record and in the public interest for DESC to recover 100% of its transmission investments as requested by the Company in this proceeding

22. All recommendations and customer protections in the testimony and exhibits of ORS witnesses, except as specifically modified by the Settlement Agreement, are just and reasonable based upon credible evidence on the whole record and in the public interest.

23. All other rate design and schedule changes not otherwise modified by ORS or Order Exhibit No. 1 and that were proposed by the Company are just and reasonable based upon credible evidence on the whole record and in the public interest.

VII. IT IS THEREFORE ORDERED THAT:

1. The Settlement Agreement is approved in its entirety.

2. DESC is authorized the opportunity to earn a 9.50% ROE, a cost of debt of 5.56%, and a capital structure consisting of 51.62% equity and 48.38% debt.

3. The revenues detailed in Order Exhibit No. 1, Settlement Agreement Attachment A, are just and reasonable.

4. The adjustments as discussed and listed above in this Order, and those detailed in Order Exhibit No. 1, Settlement Agreement Attachment A, are adopted for ratemaking purposes.

5. The proposed accounting and pro forma adjustments appended to Order Exhibit No. 1, Settlement Agreement Attachment A, are adopted for ratemaking purposes.

6. DESC is permitted a base revenue increase of approximately $61.6 million on an adjusted test-year basis.

7. DESC shall return to customers the Unprotected Property related EDIT via a Decrement Rider beginning with all bills rendered on or after September 1, 2021, and concluding when the total balance of the Unprotected Property related EDIT, which will equal approximately $99.5 million as of September 1, 2021 (grossed up for taxes), is depleted. DESC shall base the Decrement Rider on Test Year retail energy usage; the Decrement Rider shall appear as a separate line item on customer bills rendered monthly; DESC shall calculate the Decrement Rider to effectively limit the overall rate impact on customers, until the EDIT is exhausted, to a net annual increase of approximately $35.6 million; and DESC shall continue to return the Unprotected Property related EDIT via the Decrement Rider in the manner described above until the full balance of Unprotected Property related EDIT of $99.5 million is depleted regardless of any change to the federal tax rate that may occur in the future or any general rate proceeding filed by DESC.

8. The monthly Basic Facility Charge for residential customers under Rate 8 shall be $9.50. The Basic Facilities Charge for the remaining residential customer classifications will remain unchanged, and the remaining revenue requirement will be collected by increasing the per kWh volumetric rates.

9. The Rate Design summarized in Order Exhibit No. 1, Settlement Agreement Attachment B, is adopted and EDIT shall be allocated among customer classes as set forth in Order Exhibit No.1, Settlement Agreement Attachment C. The customer class allocations reflected in Order Exhibit 1, Settlement Agreement Attachment D, reducing interclass rate subsidies are also adopted.

10. The Company shall implement the rates resulting from the Settlement Agreement.

11. All proposals and recommendations set forth in Order Exhibit No. 1, Settlement Agreement Attachments A, B, C, and D, are adopted.

12. DESC shall conduct a lead-lag study to calculate working capital for use in its next electric general rate proceeding.

13. Earnings-based incentive compensation is eliminated from recovery in this rate proceeding.

14. DESC shall provide a cost benefit analysis to include an economic justification for any future grid investment plan cost recovery in a future general rate proceeding.

15. The language of DESC's Rate 23 tariff shall be modified as provided in Order Exhibit No. 1, Settlement Agreement paragraph 18.

16. DESC's request to withdraw its request for the implementation of a Storm Damage Reserve Rider from consideration in this proceeding is granted. DESC may seek implementation of a Storm Damage Reserve Rider in a future general rate case proceeding. DESC may continue deferring incremental storm expenses exceeding $2.5 million per year.

17. DESC shall file public quarterly reports on the capital expenditures at the Company's three coal plants: Wateree, Williams, and Cope until the new Commission-ordered coal retirement studies are complete. The quarterly capital expenditure reports shall include the following information: projected and actual capital expenditures, a list of all capital expenditure projects over $1 million; historic generation by unit (MWh); and Plant in Service Balances. The quarterly report shall be filed in a form similar to the form set forth in Order Exhibit No. 1, Settlement Agreement Attachment E.

18. DESC's 2019 Test Year expenses related to certain V.C. Summer Units 2 and 3 metered accounts being transferred to Santee Cooper shall be reduced by $766,000.

19. The proposed increase to the Major Maintenance Accrual shall be reduced by $4.3 million to account for the recent reductions to turbine maintenance contracts at Jasper Station and Columbia Energy Center.

20. DESC is permitted to recover 100% of its transmission investments as requested by the Company in this proceeding.

21. All recommendations and customer protections in the testimony and exhibits of ORS witnesses, except as specifically modified by Order Exhibit No. 1, are adopted.

22. All amortization of deferred items will be at the amount established by this Order and remain in effect until the deferred balance is fully recovered or returned. Parties will be allowed the opportunity to review the additional deferred amounts incurred, in a subsequent general rate case, and the same treatment shall be afforded to the regulatory liabilities as the regulatory assets.

23. All other rate design and schedule changes not otherwise modified by ORS or Order Exhibit No. 1 and that were proposed by the Company are adopted.

24. DESC shall not file for a general rate case before July 1, 2023, such that new rates will not be effective prior to January 1, 2024, except where necessary due to unforeseen extraordinary economic or financial conditions which may include, but not be limited to, changes in tax rates.

25. DESC shall double the annual commitment to $1.5 million to Energy Share in 2021 and 2022, $500,000 of which will be used to support small general service customers. This annual

commitment will be funded by Dominion Energy Shareholders and therefore the Company will not seek recovery from customers.

26. DESC will give up to $30 million from Dominion Energy Shareholders as detailed in Order Exhibit No. 1, paragraph 20.

27. DESC will initiate a stakeholder process within 90 days after the Commission issues a final order approving the terms of the Settlement Agreement as detailed in Order Exhibit No. 1, paragraph 21. Revised tariffs shall be filed within 10 days of receipt of this Order, consistent with the Commission's Rules and Regulations. The tariffs should be electronically filed in a text searchable PDF format using the Commission's DMS System (https://dms.psc.sc.gov). An additional copy should be sent via email to etariff@psc.sc.gov to be included in the Commission's ETariff System (http://etariff.psc.sc.gov.) Future revisions should be made using the ETariff System. The tariffs shall be consistent with the findings of this Order and agreements with the other parties to this case. DESC shall provide a reconciliation of each tariff rate change approved as a result of this order to each tariff rate revision filed in the ETariff System. Such reconciliation shall include an explanation of any differences and be submitted separately from the Company's ETariff System filing.

28. The rates, fees, and charges set forth in Order Exhibit No. 2,[78] and its attachments, which incorporates the adjustments as proposed by ORS and those originally noticed by the Company, are both fair and reasonable and will allow DESC to provide its customers with high quality and reliable electric service.

[78] Order Exhibit No. 2 consists of the rate schedules as detailed in Hearing Exhibit No. 40, or Settlement Exhibit AWR-3.

29. DESC shall charge the rates approved herein for bills rendered on or after September 1, 2021. The schedules will be deemed filed with the Commission under S.C. Code Ann. § 58-27-870.

30. This Order shall remain in full force and effect until further Order of this Commission.

BY ORDER OF THE COMMISSION:

_____
Justin Williams, Chairman

ATTEST:

_____
Florence P. Belser, Vice-Chairman